

# Agenda

## Audit Committee

Wednesday, 7 September 2022 at 7.30 pm

New Council Chamber, Town Hall, Reigate



This meeting will take place in the Town Hall, Castlefield Road, Reigate. Members of the public, Officers and Visiting Members may attend remotely or in person.

*All attendees at the meeting have personal responsibility for adhering to any Covid control measures. Attendees are welcome to wear face coverings if they wish.*



Members of the public may observe the proceedings live on the Council's [website](#).

### Members:

G. Adamson	Z. Cooper
J. Baker	A. King
J. Booton	J. P. King
G. Buttironi	C. Thompson
V. Chester	R. Coyle

### Substitutes:

<b>Conservatives:</b>	M. S. Blacker and R. S. Turner
<b>Residents Group:</b>	J. S. Bray and N. D. Harrison
<b>Green Party:</b>	P. Chandler, J. C. S. Essex, S. McKenna, A. Proudfoot, S. Sinden, R. Ritter and D. Torra
<b>Liberal Democrats</b>	S. A. Kulka

**Mari Roberts-Wood** - Managing Director

For enquiries regarding this agenda;

**Contact:** 01737 276182

**Email:** [democratic@reigate-banstead.gov.uk](mailto:democratic@reigate-banstead.gov.uk)

Published 30 August 2022

**Reigate & Banstead**  
**BOROUGH COUNCIL**  
Banstead | Horley | Redhill | Reigate

- 1. Minutes** (Pages 5 - 14)  
To confirm as a correct record the Minutes of the previous meeting.
- 2. Apologies for Absence and Substitutions**  
To receive any apologies for absence and notification of substitutes in accordance with the Constitution.
- 3. Declaration of Interest**  
To receive any declarations of interest.
- 4. Treasury Management Strategy Outturn 2021/22** (Pages 15 - 36)  
To note the Treasury Management Outturn Report 2021/22 and Annex 1 and provide any observations to the Executive at its meeting on 15 September 2022.
- 5. Internal audit - Quarter 1 2022/23 progress report** (Pages 37 - 58)  
To note the quarter 1 2022/23 internal audit progress report available at annex 1; and,  
That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.
- 6. Risk management - Quarter 1 2022/23** (Pages 59 - 82)  
That the Committee notes the Q1 2022/23 update on risk management provided by the report and make any observations to the Executive.
- 7. Audit Work Programme Schedule 2022/23** (Pages 83 - 92)  
To discuss and agree any changes to the schedule for Audit Committee's Work Programme 2022/23 and note the Action Tracker.
- 8. Any Other Urgent Business**  
To consider any item(s) which, in the opinion of the Chair, should be considered as a matter of urgency – Local Government Act 1972, Section 100b (4)(b).

**Note: Urgent business must be submitted in writing but may be supplemented by an oral report.**

## 9. Exempt Business

**RECOMMENDED** that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.



### **Our meetings**

As we would all appreciate, our meetings will be conducted in a spirit of mutual respect and trust, working together for the benefit of our Community and the Council, and in accordance with our Member Code of Conduct. Courtesy will be shown to all those taking part.



### **Streaming of meetings**

Meetings are broadcast live on the internet and are available to view online for six months. A recording is retained for six years after the meeting. In attending any meeting, you are recognising that you may be filmed and consent to the live stream being broadcast online, and available for others to view.



### **Accessibility**

The Council's agenda and minutes are provided in English. However, the Council also embraces its duty to anticipate the need to provide documents in different formats, such as audio, large print or in other languages. The Council will provide such formats where a need is identified prior to publication or on request.



**Notice is given** of the intention to hold any part of this meeting in private for consideration of any reports containing "exempt" information, which will be marked accordingly.

## Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Tuesday, 14 June 2022** at **7.30 pm**.

**Present:** Councillors G. Adamson, J. Baker, J. Booton, G. Buttironi, V. Chester, Z. Cooper, A. King and J. P. King

**Also in attendance:** Councillors V. Lewanski and T. Schofield

### **1 Election of Chair**

**RESOLVED** that Councillor J King; having been proposed by Councillor Buttironi, and seconded by Councillor Baker, be elected as Chairman of the Audit Committee for the 2022-23 municipal year.

### **2 Election of Vice-Chair**

**RESOLVED** that Councillor Baker; having been proposed by Councillor Cooper, and seconded by Councillor Buttironi, be elected as Vice-Chairman of the Audit Committee for the 2022-23 municipal year.

### **3 Minutes**

The minutes from the meeting held on 15 March 2022 were **APPROVED**.

### **4 Apologies for Absence and Substitutions**

An apology for absence had been received from Robert Coyle (Independent member).

### **5 Declaration of Interest**

There were none.

### **6 Risk management - Quarter 4 2021/22**

The Head of Corporate Policy, Projects & Performance introduced the report explaining that this provided Members with an update on Risk Management for quarter 4 for 2021/22. No new Strategic risks were identified and updates on the current strategic risks were provided.

A recommendation would be made to the Executive to close two strategic risks:

- SR6 – ‘Reliance on the welfare system’. As previously reported to the Audit Committee and Executive in March 2022, this risk is recommended for closure as the nature of the risk has evolved such that there is now close alignment with the current risk on ‘Economic prosperity’ (SR5).

# Agenda Item 1

**Audit Committee, Tuesday, 14th June, 2022**

Following the Audit Committee's review of the proposed strategic risks for 2022/23 at its March 2022 meeting, and reflecting on the proposal to combine SR5 and SR6 for the year ahead into a single risk reflecting the resident as well as the business element, the Executive agreed to clarify the title of the economic prosperity risk for 2022/23 and amend it to 'Challenging economic conditions for residents and businesses'.

- SR9 – 'Marketfield Way'. This risk is recommended for closure due to good progress being made on site and in securing lettings, leaving the residual risk to be managed under business as usual arrangements.

As well as receiving an update on strategic risks, the Committee was also provided with updates on red rated operational risks.

The following observations by Members and responses to questions were made.

## SR1 – Covid-19 Pandemic

It was questioned whether SR1 was more operational than strategic. The Head of Corporate Policy, Projects & Performance confirmed that the downward trajectory of the risk was reassuring and that it would continue to be reviewed to determine if it was appropriate to recommend closure of the strategic risk.

## SR2 – Financial Sustainability

A Member of the Committee stated that he would provide some written questions following the meeting, including regarding this risk's structure. There was good content and context however it was felt that there could be several risks within SR2 and this could mean that it was less focussed.

Officers welcomed the offer of written feedback and would consider it once it had been received.

## SR3 – Local Government Reorganisation

It was questioned as to what the statement that reorganisation would not be a condition of securing a devolution deal meant in practice.

The Head of Paid Service explained that a seminar had been conducted with Councillor Tim Oliver (Chair of the County Councils Network and leader of Surrey County Council) to understand the mechanics of the White Paper and its implications. It was understood that County would look to get further powers from central government, however this did not mean that either one or a series of unitary authorities would need to be formed. County had been bidding for more powers and they wanted the 11 local authorities in the county to support them.

## SR4 – Organisational Capacity and Culture

In response to a member question, it was noted that the next Employment Committee would consider making the S151 officer a permanent position and consider other senior management roles.

## SR5 – Economic Prosperity

Concern was raised about amalgamating SR5 and SR6 together next municipal year to become SR4.

It was explained that the rationale for closing SR6 was that it focussed on job losses due to the pandemic, however that did not come to pass. However, concerns that this Committee had about amalgamating the risks, would be passed on to the Executive at its next meeting. An update on unemployment in the borough was given.

## SR6 – Reliance on the welfare system

In response to a member question regarding the different affordable housing types, it was explained that the Council used the definitions as set out in national planning policy. In general terms that distinguished between social rent; affordable rent; shared ownership and other types of affordable housing products and these definitions were used consistently across the board. A written response with further detail would be provided.

In terms of risk associated with the influx of Ukrainian refugees, it was explained that this made up part of the Council's operational risk as opposed to a strategic risk.

## SR7 – Cyber Security

In relation to a member question, officers confirmed that the new strategy relating to cyber security had begun to be implemented in quarter 1 of 2022/23.

## SR9 – Marketfield Way

In response to member questions it was noted that there had been some slippage in the project and completion was due in the autumn. The first tenant to open would be Tesco followed by other businesses, with the cinema due to open around Easter 2023. Offers had been made on all commercial units and heads of terms were with tenants. Tolerances for slippage had been built into the risk and therefore it was appropriate to close this risk.

### **RESOLVED** that:

- I. The Q4 2021/22 update on risk management provided be noted;
- II. Observations to the Executive be made; and
- III. Written responses would be sent to Members.

## **7 Internal audit - Quarter 4 2021/22 progress report**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), gave the Committee an overview of the quarter 4 progress report on the delivery of the internal audit plan, highlighting any key observations and giving an update on live audit reports that currently had management actions pending.

It was noted that 94% of audits had been completed to date with the following two reviews outstanding:

# Agenda Item 1

**Audit Committee, Tuesday, 14th June, 2022**

- Contract management – at draft report stage
- Parking enforcement – fieldwork yet to conclude

These remained in progress and would be carried over and form part of next year's annual report and opinion.

It was noted that there were no new audit reports with a limited or no assurance conclusion. Within the report there was a line by line breakdown of the individual audits that made up the 2021/22 plan.

In respect of the overdue management actions, a Member asked how the revised dates were signed off and was the Council prepared to accept the risks that delays could pose. It was noted that all overdue management actions were of a medium priority.

The Head of Paid Service explained that the Corporate Governance Group (comprised of the statutory and senior officers of the Council) met monthly and SIAP's progress updates were considered at this meeting while holding Heads of Service to account for any overdue actions or proposed changes to deadlines. As previously explained, the past two years have been particularly challenging due having to prioritise the response to the pandemic meaning that significant decisions needed to be made at times which impacted on operational plans and priorities. The Council was now returning to business as usual, but this had not yet concluded; therefore, it would be necessary to continue to take decisions to reprioritise management actions in some areas when required. The Head of Paid Service also confirmed that overall accountability was held by her. Target dates for management actions were set by the lead officers and SIAP have an opportunity to feedback on their reasonableness before being adopted.

It was also explained that, if decisions needed to be made due to another crisis (such as the requirement to set up new services as a result of the war in Ukraine), then the Council would continue to prioritise that.

It was noted that Members had received a briefing note prior to the meeting which gave context to the overdue management actions over the past two years during the pandemic.

Members concurred that they had been given reassurance around overdue management actions.

**RESOLVED** that:

- I. The Committee notes the progress in delivering the audit plan; and
- II. That Committee's comments and/or observations on the report be fed back to the Council's Chief Finance Officer;

## **8 Internal audit - 2021/22 annual report and opinion**

Neil Pitman, Head of SIAP, presented the 2021/22 annual report and opinion. Section five of the report provided an overview and summary of the key observations arising from the audit reviews concluding in 2021/22.

The overall opinion was that of Reasonable Assurance on the Council's framework of governance risk and control based on the work that SIAP undertook during the year. A



# Agenda Item 1

**Audit Committee, Tuesday, 14th June, 2022**

sound control environment was in place across a majority of the review areas, with the areas of challenge highlighted at pages 71 to 74 of the report. Members' attention was drawn to the section on financial resilience (at page 74); this review was not related to a control issue but instead looked to provide assurance on the arrangements that were in place to address the financial challenge faced by the Council. He advised that this was a challenge that was mirrored across nearly all local authorities in the country and was therefore an ongoing risk.

SIAP thanked officers and Members for their cooperation across the year; this had assisted them in arriving at their opinion.

A question was asked regarding the establishment control audit and the costs associated with temporary and contract staff and the risks that costs may exceed the cost of employing a member of staff on a permanent basis. In response it was stated that the audit identified scope for improvement in the way in which the Council coded expenditure for permanent staff and for temporary/contract staff and that new costing structures were now in place. A key control was the monthly and quarterly budget monitoring process whereby any excess costs of employing temporary resources compared to direct employment were highlighted along with an explanation of how they would be funded. Corporate Governance Group was also required to review and approve business cases before contract staff could be engaged.

In response to a question about how the authority's rating could be improved next time, Neil Pittman stated that this was difficult to answer as each year the Audit Plan would review different areas of the Council. Overall, SIAP viewed the Council in a very positive light. Although three audits were of a limited assurance, it was explained that this was not always a negative thing as it demonstrated that the audits were covering the most appropriate areas and adding value. The Council used the internal audit service to good effect and there were no areas of commonality flagged in the limited assurance audits that indicate any wider issues. Audit was clearly recognised as an important management tool for the Council.

A Member raised a question regarding the independent review of the Environmental Health and Licencing Service in October 2018 which reported that "there are few performance indicators in the business plans and can result in a lack of clear focus on priorities" and SIAP's subsequent audit report that stated that "No action plans are currently in place to address this."

In response it was stated that all management actions arising from the review were now complete, therefore mitigating the risks identified by the audit report. The Projects and Performance Team Leader agreed to seek a written response from the relevant manager and Head of Service.

## **RESOLVED** that:

- I. The Committee notes the annual internal audit report and opinion;
- II. That Committee's comments and/or observations on the report be fed back to the Council's Chief Finance Officer; and
- III. A written response would be sent to Members.

# Agenda Item 1

Audit Committee, Tuesday, 14th June, 2022

## 9 Draft Annual Governance Statement 2021/22

The Interim Head of Finance gave an overview of the draft Annual Governance Statement 2021/22, explaining that it complied with Regulations, whereby the Council was required to prepare and publish a statement on its internal control and governance arrangements as part of annual end-of-year processes.

It was also good practice that the statement be endorsed by the member body that has responsibility for oversight of these arrangements; in this Council this was the Audit Committee. The covering report explained that the statement drew on several sources of information on how the Council was managed.

It was stated that the SIAP had carried out a review of the Council's arrangements for compiling the Annual Governance Statement and the outcome was a rating of substantial assurance, indicating that the Council followed good practice and guidance and the Statement was complete in terms of the breadth of the topics it covered and the scope of the information that was presented.

The final version of the Annual Governance Statement 2021/22 would be presented and published as part of the statement of accounts.

It was noted that this was also an important source of background and context for this Committee to consider because it provided an overview of the overall control assurance framework that was in place to ensure that the Council was well-run, and risks were managed effectively.

It was explained that two key elements were yet to be finalised, one of which was finalised at this meeting (SIAP's audit opinion 2021/22); the second would be the external Auditor's opinion for 2021/22 which would be available once they concluded their audit of the statement of accounts.

Two governance matters were highlighted relating to the statement of accounts for 2020/21 and a legal dispute relating to one of the Council's companies.

With regard to the statement of accounts, the Chief Finance Officer explained that proactive steps to address historic issues with underlying fixed asset records that supported the accounts had been undertaken to ensure compliance with the Code of Practice. It was noted that the auditors were scheduled to commence the audit shortly.

The second matter related to a joint venture that the Monitoring Officer and senior officers were acting on in consultation with Lead Members; it was not possible to provide more information at this stage as it was currently subject to legal privilege.

Following a member's question regarding the anticipated timing of the external auditor's 2020/21 and 2021/22 ISA 260 reports, it was explained that ordinarily the 2020/21 report would be considered at approximately this time of year. However, as explained, this had been delayed due to taking additional time to resolve historic fixed asset record issues. The 2020/21 report would therefore be presented later this year when the audit was complete; followed by the 2021/22 report as reporting returned to the usual timetable.

**RESOLVED** that the report be noted.

## 10 Audit Committee Overview

The Chair introduced this item encouraging all Audit Committee Members to note the important information in it to support them in carrying out their responsibilities.

The Interim Head of Finance gave an overview of the slides provided within the agenda pack, explaining that Members were advised to refer to this when preparing for future Audit Committee meetings. The slides set out how the Committee planned to approach its work during the year as well as the scope of the Committee's responsibilities.

In addition, Committee Members were encouraged to take advantage of the training opportunities and briefings that would be provided on specific topics; members were encouraged to attend these. Briefings would be arranged prior to considering Treasury Management reports and the Statement of Accounts for example.

The report also set out the lead officers for the key areas that came under the Committee's remit and Members were encouraged to contact them if they required any further information to support them in their role.

**RESOLVED** that the report be noted.

## 11 Work Programme 2022/23

The Clerk explained that the work programme set out the intended work to be carried out by the Committee over the coming municipal year. This was a live document and was subject to change according to requirements and availability of information.

**RESOLVED** that the report be noted

## 12 Any Other Urgent Business

There was none.

## 13 Exempt Business

**RESOLVED** that members of the Press and public be excluded from the meeting for part of agenda item 6 (Risk Management Quarter 4 - 2021/22) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

It involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Act;

- i. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The meeting finished at 8.56 pm

This page is intentionally left blank



**Reigate & Banstead**  
BOROUGH COUNCIL  
Banstead | Horley | Redhill | Reigate

<b>SIGNED OFF BY</b>	<b>Chief Finance Officer</b>
<b>AUTHOR</b>	Jacque Aboagye, Finance Manager
<b>TELEPHONE</b>	Tel: 01737 276302
<b>EMAIL</b>	Jacqueline.Aboagye@reigate-banstead.gov.uk
<b>TO</b>	Audit Committee Executive Council
<b>DATE</b>	Wednesday, 7 September 2022 Thursday, 15 September 2022 Thursday, 22 September 2022
<b>EXECUTIVE MEMBER</b>	Portfolio holder for Finance & Governance

<b>KEY DECISION REQUIRED</b>	Yes
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Treasury Management Outturn Report 2021/22
----------------	--

<b>RECOMMENDATIONS</b>
<p><b>RECOMMENDATIONS:</b></p> <p><b>That Audit Committee:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Note the Treasury Management Performance for 2021/22 and provide any feedback for consideration by Executive;</b></li> </ul> <p><b>That Executive:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Note the Treasury Management Performance for 2021/22;</b></li> <li>(ii) <b>Recommend that Council approves the outturn against the 2021/22 Prudential and Treasury Management Indicators and the Annual Treasury Management Report (Annex 1).</b></li> </ul> <p><b>That Council</b></p> <ul style="list-style-type: none"> <li>(i) <b>Approves the outturn against the 2021/22 Prudential and Treasury Management Indicators and the Annual Treasury Management Report (Annex 1)</b></li> </ul>
<b>REASONS FOR RECOMMENDATIONS</b>

# Agenda Item 4

This report confirms compliance with the requirements of the regulatory framework for treasury management.

The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:

- (i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year.

The Treasury Management Strategy and Performance Indicators for 2021/22 were approved by Council on 8 April 2021.

- (ii) **Mid-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.

The mid-year report for 2021/22 was reported to Executive on 16 December 2021 and approved by Council on 10 February 2022.

- (iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance. This report.

## EXECUTIVE SUMMARY

This report sets out treasury management performance for 2021/22 including performance against the Prudential and Treasury Management Indicators.

It will be presented to Audit Committee on 7 September 2022 and Executive on 15 September 2022. Council will be asked to approve the recommendations on 22 September.

**Council has authority to approve the recommendations in this report.**

## STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the Local Government Act 2003 and associated regulations.
2. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management, the Prudential Code for Capital Finance in Local Authorities and the Government's Investment Guidance.  
CIPFA published revised Prudential and Treasury Management Codes on 20th December 2021. The formal reporting requirements of the revised Codes will be implemented in 2023/24.

## BACKGROUND

3. Regulations issued under the Local Government Act 2003 require local authorities to produce an annual review of its treasury management activities for the previous year, including performance against the Prudential and Treasury Management Indicators.

## KEY INFORMATION

### Treasury Management Strategy

4. Performance during 2021/22 is reported at Annex 1.

Audit Committee has two options

**Option 1** – note the report and provide any feedback for consideration by Executive.

**Option 2** – note the report but ask officers to provide more detail on specific issues contained in the report before it can be submitted to Executive.

Executive has three options:

**Option 1** – note the report and recommend its approval by Council.

**Option 2** – note the report but ask officers to provide more detail on specific issues contained in the report before it can be submitted to Council for approval.

**Option 3** – reject the report. This would result in non-compliance with the Treasury Management Code of practice and associated regulations.

Executive is asked to approve Option 1.

## LEGAL IMPLICATIONS

5. There are no direct legal implications arising from this report

## FINANCIAL IMPLICATIONS

6. The financial implications of the Treasury Outturn 2021/22 were reflected in the budget section of the Quarter 4 Performance Report to Executive on 23 June 2022. There are no additional direct financial implications that arise from this report.

## EQUALITIES IMPLICATIONS

7. There are no equalities implications arising from this report.

## COMMUNICATION IMPLICATIONS

8. There are no communications implications arising from this report.

# Agenda Item 4

## **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

9. Investment decisions take into account the counter-party's environmental, social and governance (ESG) performance where possible.

## **RISK MANAGEMENT CONSIDERATIONS**

10. Key risks are managed in accordance with Prudential Code indicators, including ensuring Security, Liquidity and Yield for investments. Further details are provided at Annex 1.

## **CONSULTATION**

11. The report will be presented to the Audit Committee on 7 September 2022 for their observations.

## **POLICY FRAMEWORK**

12. This report is submitted in accordance with the Council's Treasury Management Policy.

## **BACKGROUND PAPERS**

- Executive 25 March 2021 – *Treasury Management Strategy 2021/22*
- Executive 16 December 2021– *Half Year Treasury Management Report for 2021/22*
- Executive 23 June 2022 – *Quarter 4 Performance Report 2021/22*



## ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2021/22

---

1. Purpose
2. Summary
3. Introduction and Background
4. Treasury Management Audit
5. Capital Expenditure and Financing
6. Overall Borrowing Need
7. Treasury Position at 31 March 2022
8. Borrowing Outturn 2021/22
9. Investment Outturn 2021/22
10. Other Treasury Management Matters

### APPENDICES

1. Prudential and Treasury Indicators
2. Link Treasury Commentary

## 1. Purpose

The purpose of this report is to present the Council's Annual Treasury Management Outturn report for 2021/22.

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for the previous financial year as reported at Appendix 1. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22, the minimum reporting requirements were that Council should receive the following reports:

1. The Treasury Management Strategy Statement (TMSS) Report;
2. A mid-year, (minimum), Treasury Update report.  
This is presented to Council in February each year and updates Members on the Treasury Management activity of the authority with the context of the approved TMSS; and
3. An Annual Review following the end of the year (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that regard, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by Council. It will also be presented to the Audit Committee for scrutiny and review.

Member training on treasury management was undertaken in March 2022 in order to support them in their scrutiny and oversight role.

Link Asset Management continued to provide services as the Council's treasury advisors. Their latest commentary is attached at Appendix 2.

## 2. Summary

During 2021/22, the Council complied with legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are set out below:

<b>Table 1: PRUDENTIAL AND TREASURY INDICATORS</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
<b>Capital Expenditure:</b>			
General Fund (see Table 2)	25,786	41,279	35,683

<b>Table 1: PRUDENTIAL AND TREASURY INDICATORS</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
<b>Total</b>	<b>25,786</b>	<b>41,279</b>	<b>35,683</b>
<b>Capital Financing Requirement: In year change</b>			
General Fund	22,108	35,729	20,541
<b>Total</b>	<b>22,108</b>	<b>35,729</b>	<b>20,541</b>
<b>Gross Borrowing:</b>			
Long Term credit arrangements	-	-	-
External Debt	9,000	-	-
<b>Total</b>	<b>9,000</b>	<b>-</b>	<b>-</b>
<b>Investments:</b>			
Under 1 year	36,000	-	19,300
Longer than 1 year	-	-	-
<b>Total</b>	<b>36,000</b>	<b>-</b>	<b>19,300</b>
<b>Net Borrowing / (Net Investment)</b>	<b>(27,000)</b>	<b>-</b>	<b>(19,300)</b>

The Chief Finance Officer confirms that borrowing was only undertaken for a capital purpose and that the statutory borrowing limit, (the Authorised Limit), was not breached.

### 3. Introduction and Background

This report provides a summary of the Council's treasury management position for the year with regard to borrowing and investments, including:

- Capital investment activity and the impact of this activity on the Council's underlying indebtedness (the 'Capital Financing Requirement' - CFR); and
- Performance against Prudential and Treasury Management indicators (Appendix 1).

### 4. Treasury Management Audit

The Council's treasury management function is audited on a cyclical basis by the Southern Internal Audit Partnership (SIAP) as part of the Audit Plan. The most recent audit took place in 2020/21 and the audit report was issued in May 2021.

The audit objective was to confirm the effectiveness of key controls in the following areas:

- Treasury Management arrangements are formalised through effective strategies, policies and procedures, and roles and responsibilities are clearly documented and understood, with the segregation of duties considered wherever possible throughout the Treasury Management process.
- Investment and borrowing decisions are based upon sound information, and are clearly documented, together with the rationale and are approved.
- Investment and borrowing transactions are made accurately, and securely, and appropriately recorded and accounted for.
- Management information enables adequate Treasury Management monitoring and reporting.

At the outcome of the audit SIA reported a Reasonable Assurance opinion and concluded that: *‘There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited’.*

Two low priority management actions were reported and were completed by 31 May 2021. They both related to adding reviewer comments and signature to the bank reconciliation control sheet to help evidence that the review had been carried out.

The audit has therefore confirmed that there are no identified control weaknesses in the systems and processes that have been used to produce the information in this report.

## 5. Capital Expenditure and Financing

The Council undertakes capital expenditure to acquire or create long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

The table below sets out the capital expenditure during 2021/22 and how it was financed.

<b>Table 2: CAPITAL FINANCING</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
Total Capital Expenditure	25,786	41,279	35,683
<b>Financed By:</b>			
Capital Grants	1,957	4,187	2,812
Capital Receipts	1,476	2,385	11,764
Revenue Contribution	-	9,520	-

<b>Table 2: CAPITAL FINANCING</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
Capital Reserves	-	-	-
<b>Total Grants &amp; Receipts</b>	<b>3,433</b>	<b>16,092</b>	<b>14,577</b>
unfinanced capital expenditure	22,353	25,187	21,106
<b>Total Finance</b>	<b>25,786</b>	<b>41,279</b>	<b>35,683</b>

## 6. Overall Borrowing Need

The underlying need to borrow for capital expenditure is the 'Capital Financing Requirement' (CFR). The CFR increase within any net financing need for the year and reduces through the application of resources, including an annual charge to revenue budget, the Minimum Revenue Provision (MRP).

The Council's CFR for the year is set out below and represents a key prudential indicator.

<b>Table 3: CAPITAL FINANCING REQUIREMENT (CFR)</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Outturn £000</b>
Opening balance	31,105	49,875	53,214
Add unfinanced capital expenditure	22,353	36,023	21,106
Less MRP	(245)	(294)	(565)
Less PFI & finance lease repayments	-	-	-
In year change in CFR	<b>22,108</b>	<b>35,729</b>	<b>20,541</b>
<b>Cumulative Capital Financing Requirement (CFR)</b>	<b>53,214</b>	<b>85,604</b>	<b>73,754</b>

The Council's treasury team ensures that sufficient cash is available to meet capital expenditure plans and cash flow requirements. This may be sourced through borrowing from external bodies, such as the Government's Public Works Loan Board (PWLB), other local authorities or private sector lenders, or by utilising available cash balances on a temporary basis.

**Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that the costs of borrowing to fund capital assets are charged to the revenue budget over the life of the asset. In order to achieve this the Council is required to make an annual charge to the revenue budget, the Minimum Revenue Provision (MRP) to reduce its CFR. This is effectively a provision for

repayment of the associated borrowing.

The CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The 2021/22 MRP Policy (as required by MHCLG Guidance) was approved by Council as part of the Treasury Management Strategy for 2021/22 on 8 April 2021.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and that borrowing is only used for a capital purpose, the Council has to ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This confirms that the Council is not borrowing to support revenue expenditure. The table below sets out the Council’s gross borrowing position against its CFR and confirms that the Council has complied with this prudential indicator.

<b>Table 4: GROSS BORROWING POSITION</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>31 March 2022 (2021/22) Actual £000</b>
<b>Gross External Borrowing Position (Table 1)</b>	<b>9,000</b>	-	-
Cumulative CFR (Table 3)	53,214	85,604	73,754
<b>(Under) / Over Funding of CFR</b>	<b>(44,214)</b>	<b>(85,604)</b>	<b>(73,754)</b>

**The Authorised Limit** - the Authorised Limit is the ‘affordable borrowing limit’ required by section 3 of the Local Government Act 2003. Once this has been approved, the Council does not have authority to borrow above this level without formal adoption of a revised Limit. The table below confirms that the Council has maintained gross borrowing within its Authorised Limit during 2021/22

**The Operational Boundary** – the Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator confirms the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the ‘Net Revenue Stream’ (the Council’s revenue budget).

<b>TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM</b>	<b>2021/22</b>
Authorised Limit	£123m
Maximum gross borrowing position during the year	-

<b>TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM</b>	<b>2021/22</b>
Operational Boundary	£113m
Average gross borrowing position	-
Net financing costs as a proportion of Net Revenue Stream	(2.63)%

## 7. Treasury Position at 31 March 2022

The Council's debt and investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks across all treasury management activities. Procedures and controls to achieve these objectives are well established both through officer and Member reporting and through officer activity as set out in the Council's Treasury Management Practices. At the end of 2021/22 the Council's treasury position was as follows:

<b>Table 6: DEBT PORTFOLIO</b>	<b>31 March 2021 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>	<b>31 March 2022 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>
<b>Fixed rate funding:</b>						
PWLB	-	-	-	-	-	-
Portsmouth City Council	5,000	1.20%	3 months	-	-	-
Elmbridge Borough Council	4,000	1.70%	9 months	-	-	-
<b>Total</b>	<b>9,000</b>	<b>1.45%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Variable Rate Funding:</b>						
PWLB	-	-	-	-	-	-
Market Loans	-	-	-	-	-	-
<b>Total Debt</b>	<b>9,000</b>	<b>1.45%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CFR (Table 3)</b>	53,214	-	-	73,754	-	-
<b>Over / (Under) Borrowing</b>	<b>(44,214)</b>	<b>-</b>	<b>-</b>	<b>(73,754)</b>	<b>-</b>	<b>-</b>

The maturity structure of the debt portfolio is set out below:

<b>Table 7: MATURITY STRUCTURE OF BORROWING 2021/22</b>		
<b>Fixed &amp; Variable Rate Borrowing</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	100%	
12 months to 2 years		
2 years to 5 years		
5 years to 10 years		
10 years to 20 years		
20 years to 30 years		
30 years to 40 years		
40 years to 50 years		

The authority does not currently have any external borrowing; the limit will be reviewed and

refined as borrowing takes place.

<b>Table 8: INVESTMENT PORTFOLIO</b>	<b>31 March 2021 Principal £000</b>	<b>Rate/Return %</b>	<b>Average Life (years)</b>	<b>31 March 2022 Principal £000</b>	<b>Rate/Return %</b>	<b>Average Life (years)</b>
<b>Investments:</b>						
- In-House	23,000	0.01%	1 year	19,300	0.03%	1 year
- With Brokers	13,000	1.58%	5 months	-	-	-
<b>Total Investments</b>	<b>36,000</b>	<b>0.69%</b>	<b>0.75 years</b>	<b>19,300</b>	<b>0.03%</b>	<b>1 years</b>

<b>Table 9: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2021 £000</b>	<b>Actual 31 March 2021 %</b>	<b>Actual 31 March 2022 £000</b>	<b>Actual 31 March 2022 %</b>
<b>Treasury investments</b>				
Banks	-	-	800	4%
Building Societies - rated	13,000	36%	-	-
Local authorities	-	-	-	-
Money Market Funds	23,000	64%	18,500	96%
<b>Total</b>	<b>36,000</b>	<b>100%</b>	<b>19,300</b>	<b>100%</b>
Bond funds	-	-	-	-
Property funds	-	-	-	-
<b>Total managed externally</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TREASURY INVESTMENTS</b>	<b>36,000</b>	<b>100%</b>	<b>19,300</b>	<b>100%</b>

<b>Table 10: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2021 £000</b>	<b>Actual 31 March 2021 %</b>	<b>Actual 31 March 2022 £000</b>	<b>Actual 31 March 2022 %</b>
<b>Non-Treasury Investments</b>				
Third party loans <sup>1</sup> & share capital:				
Subsidiaries – Greensand Property Holdings Ltd	14,410	15%	15,223	20%
Companies – Horley Business Park Development LLP	877	1%	975	1%
Associate – Pathway for Care Ltd	1,100	1%	1,100	1%
Investment Property	43,373	45%	40,989	53%
<b>Non-Treasury Investment Total</b>	<b>59,760</b>	<b>62%</b>	<b>58,287</b>	<b>75%</b>
Treasury investments	36,000	38%	19,300	25%
<b>TOTAL – ALL INVESTMENTS</b>	<b>95,760</b>	<b>100%</b>	<b>77,587</b>	<b>100%</b>

NOTE1: principal plus accrued interest

The maturity structure of the investment portfolio is set out below:



<b>Table 11: ALL TREASURY INVESTMENTS</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Budget £000</b>	<b>2021/22 Actual £000</b>
Investments:			
Up to 1 year	36,000	-	19,300
Longer than 1 year	-	-	-
<b>Total</b>	<b>36,000</b>	<b>-</b>	<b>19,300</b>

## 8. Borrowing Outturn 2021/22

No external borrowing was undertaken in 2021/22. The Council has maintained an internal borrowing strategy for 2021/22, using its cash balances to fund capital expenditure and avoid borrowing costs. This will be kept under review to plan for the time when the Authority may not be able to avoid new borrowing to finance its capital expenditure plans.

## 9. Investment Outturn 2021/22

**Investment Policy** – the Council's investment policy is governed by MHCLG investment guidance and was implemented in the Treasury Management Strategy approved by the Council on 8 April 2021. The Policy sets out the approach for choosing investment counterparties based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, such as rating outlooks, credit default swaps and bank share prices etc.

Investment activity during the year conformed to the approved Policy and the Council experienced no liquidity difficulties.

**Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. Core cash resources comprised usable reserves as follows:

<b>Table 13: USABLE RESERVES</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Actual £000</b>
General Fund Balance	3,000	3,000
Earmarked Reserves	49,172	37,978
Usable Capital Receipts	5,885	7,271
Capital Grants Unapplied Reserve	27,912	27,912
<b>Total</b>	<b>85,968</b>	<b>76,161</b>

**Investments** - the Council maintained an average balance of £19.3m of investments in 2021/22 which earned an average rate of return of 0.03%. The comparable external performance indicator is the average 12-month SONIA rate, which was 1.64%. The Council's average rate of return of 0.03% was mainly driven by the money market fund investments made during the pandemic where interest rates were less favourable.

## 10. Other Treasury Management Matters

**Pooled Investment Funds.** The Council had no pooled investment funds during the year.

**Non-treasury management investments.** The Council's current approach to making property investment decisions is set out in its Capital Investment Strategy which explains how investment decisions are made, how delivery is approached and how risks are managed. In order to support investment decisions, the Council relies on the principles established in its Commercial Investment Strategy and powers under the Localism Act 2011.

## PRUDENTIAL AND TREASURY INDICATORS

1.1 PRUDENTIAL INDICATORS	2020/21 Actual £000	2021/22 Original Budget £000	2021/22 Actual £000
<b>Capital Expenditure (Table 2)</b>			
General Fund	25,786	41,279	35,683
<b>Ratio of net financing costs to net revenue stream (Table 5)</b>			
General Fund	(2.76) %	(4.13) %	(2.63) %
<b>Gross Debt (Table 4)</b>			
Brought forward 1 April	12,000	9,000	9,000
Carried forward 31 March	9,000	-	-
In year borrowing requirement	(3,000)	(9,000)	(9,000)
<b>Capital Financing Requirement (Table 3)</b>			
Opening CFR	31,105	49,875	53,214
In year CFR change	22,108	35,729	20,541
Closing CFR	53,214	106,029	73,754
<b>Annual change in Capital Financing Requirement (Table 3)</b>			
General Fund	22,108	35,729	20,541

1.2 TREASURY MANAGEMENT INDICATORS	2020/21 Actual £000	2021/22 Original Budget £000	2021/22 Actual £000
<b>Authorised Limit for External Debt</b>			
Borrowing	115,735	122,566	122,566
Other long-term liabilities	500	500	500
<b>Total</b>	<b>116,235</b>	<b>123,066</b>	<b>123,066</b>
<b>Operational Boundary for External Debt</b>			
Borrowing	105,735	112,566	112,566
Other long-term liabilities	500	500	500
<b>Total</b>	<b>106,235</b>	<b>113,066</b>	<b>113,066</b>
<b>Actual External Debt</b>	<b>9,000</b>	<b>-</b>	<b>-</b>

## LINK TREASURY SERVICES COMMENTARY

### ECONOMIC UPDATE (June 2022)

The second quarter of 2022 saw:

- GDP fall by 0.1% m/m in March and by 0.3% m/m in April;
- An easing rather than a collapse in the composite Purchasing Managers Index (PMI);
- A further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May;
- The first signs that the weakening in economic activity is filtering into a slightly looser labour market;
- Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Crisis;
- Gilt yields caught up in the global surge in bond yields triggered by May's strong rise in US inflation;
- Rising global bond yields and concerns over growth drive a global sell-off in equity markets.
- Following the 0.1% m/m fall in GDP in March and the 0.3% m/m contraction in April, the economy is now moving towards a recession (two quarters of falling output in a row). Indeed, GDP would need to rise by 0.4-0.5% m/m in both May and June to prevent the economy from contracting in Q2 as a whole. That said, without the joint wind down of the COVID-19 Test and Trace and vaccination programme, GDP would have risen by 0.2% m/m and 0.1% m/m in March and April respectively. That's hardly strong, but it suggests the underlying momentum is not quite as weak as the headline figures imply.
- There is not much evidence that higher inflation and higher interest rates have yet become a big drag on activity. Services output did fall by 0.3% m/m in April. But output in consumer-facing services, conversely, rose by a solid 2.3% m/m in April. And although the Office for National Statistics (ONS) said that some of the 1.0% m/m fall in manufacturing output was linked to the drag on activity from higher prices, it also said that some of the 0.4% m/m drop in construction output in April was a drop back after the boost in the wake of February's Storm Eunice.
- The fact that the composite PMI didn't fall in June also suggests that in Q2 (Apr – June) real GDP has softened rather than collapsed. The S&P Global/CIPS all-sector PMI for June was unchanged from its level of 53.1 in May, signalling tepid but positive growth. According to the Lloyd's barometer, business confidence in May also remained remarkably resilient.
- Despite the fall in the GfK composite measure of consumer confidence to a new record low of -41 in June, April's £1.4bn rise in consumer credit suggests households appear to have turned to credit to support their spending as the cost-of-living squeeze has intensified. Meanwhile, the household saving rate held steady at 6.8% in Q1 in line with its long-term average and we expect households to lower their saving rate further when the bigger falls in real incomes come in Q2 and Q3 to cushion the blow to spending.
- The Chancellor's latest fiscal support of £10.3bn (0.5% of GDP), which comprised £15.3bn of handouts to households, partly funded by a £5bn tax on the profits of oil and gas producers, will help support GDP in the second half of the year. And with the Prime Minister and the Chancellor desperately needing to boost their popularity, some tax cuts may be announced in the Autumn Budget.
- There have been early signs that the recent weakening in economic activity is filtering through into a slightly looser labour market. The unemployment rate edged up from 3.7% in the three months to March to 3.8%. The single-month data showed that employment fell by 254,000 in April and the unemployment rate rose from 3.5% to 4.2%. And the upward march in the number of job vacancies slowed, with the three-month average only rising from 1.296m in April to 1.300m in May. A seasonal adjustment of the single-month data implies that vacancies fell in May for the first time since COVID-19 was rife in December.

- *At the same time, a 1.8% m/m fall back in average earnings in April meant that the 3myy rate of earnings eased from 7.0% in March to 6.8% in April. And a lot of the 0.5% m/m rise in earnings excluding bonuses was probably due to the 6.6% rise in the National Living Wage on 1st April. The 3myy rate of earnings excluding bonuses stayed at 4.2%.*
- *That said, conditions in the labour market remain exceptionally tight. The unemployment rate is still close to its recent 47-year low, and there is the same number of unemployed people as job vacancies and at 6.8% in April, the 3myy rate of average earnings is at a 10-year high (although it is still falling in real terms) and is well above the 3.0-3.5% that is broadly consistent with the 2.0% inflation target (assuming that productivity growth is 1.0-1.5%).*
- *CPI inflation rose from 9.0% in April to a new 40-year high of 9.1% in May and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. With the influence of increases in agricultural commodity prices yet to fully feed into prices on the supermarket shelves, we think that food price inflation will rise above 10% in September. And with two-thirds of the observation period for the Ofgem price cap having now passed, something like a 40% rise in utility prices is pretty much baked in the cake for October. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. We think that will take CPI inflation to a peak of around 10.5% in October.*
- *The rise in services CPI inflation from 4.7% in April to 4.9% in May suggests that domestic price pressures are still strengthening.*
- *There now seems to be an even greater likelihood that second-round effects, whereby high inflation feeds back into higher price and wage expectations, keep inflation higher for longer. For some time, the Monetary Policy Committee (MPC) has placed a lot of weight on the results of the Bank of England's monthly Decision Maker Panel which asks businesses how they expect to change their prices and wages over the next year. May's survey revealed that businesses still expect to raise their selling prices by 6.0% and their wages by 4.8% over the next year. Meanwhile, XpertHR said that pay settlements across the economy stayed at a 30-year high of 4.0% in May. The government appears to be contemplating raising public sector pay by up to 5%. And the 7.1% pay rise granted to some railway workers sets a high bar for the negotiations that led to train strikes across large parts of the country in mid-June.*
- *The MPC has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed raised rates by 75 basis points (bps) in June and a handful of other central banks have recently raised rates by 50bps, the Bank of England's action is relatively dovish. The MPC's decision not to follow the Fed and raise rates by more makes some sense. The UK's status as a larger importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.*
- *But the MPC's new guidance is that if there are signs of "more persistent inflationary pressures" it will, "if necessary act forcefully in response". We expect the MPC to continue to raise rates in steps of 25bps rather than 50bps. We think the MPC will raise rates from 1.25% now to a peak of 2.75% next year. That's higher than the peak of 2.00% forecast by economists, but lower than the peak priced into the financial markets.*
- *Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. And in response to signs that central banks (particularly the US Fed) are going to raise interest rates faster to get on top of inflation, we now think that 10-year gilt yields will reach a peak of 2.70% (up from 2.39% currently) this year and into 2023.*
- *While the S&P 500 is 8.4% below its level a month ago, the FTSE 100 is 5.7% below it. Part of the sell-off has been driven by the rapid rise in global bond yields and the resulting downward pressure on equity valuations as well as concerns over economic growth.*
- *Finally, the pound has already weakened from \$1.37 and €1.21 earlier this year to \$1.21 and €1.16. A lot of these moves have been driven by concerns over the outlook for the global economy and the resulting poor performance of risky assets, which has increased the demand for the dollar relative to sterling. If*

interest rates rise faster and further in the US than in the UK, rate differentials and a worsening in risk appetite will push the pound even lower, from \$1.21 now to \$1.18 by the end of 2022. We don't expect the pound to fall by as much against the euro (from €1.16 to €1.14 next year). But once global inflation and global interest rates peak, the pound will probably benefit from the return of risk appetite. It may rise to \$1.25 by the end of 2023 and to \$1.30 by the end of 2024.

### INTEREST RATE FORECAST (August 2022)

Comparison of forecasts for Bank Rate today v. previous forecast													
Bank Rate	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
09.08.22	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
21.06.22	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	
Change	0.50	0.25	0.00	0.00	0.00	-0.25	0.00	-0.25	0.00	0.00	0.00	0.00	-

- Since our last update in June, central banks in the developed economies have significantly quickened the pace of their monetary policy tightening. Although their policies are bespoke and reflect the economic backdrop in each of their countries, that is not to say there has not been a similar approach to dampening inflationary pressures that are still spiking upwards. In that respect, the US FOMC has led with increases of 225bps in the year to date, whilst the Bank of England's MPC has increased its Bank Rate by 150bps to 1.75%.
- The latest Bank Rate increase was implemented last Thursday. After an 8-1 vote in favour, Bank Rate shifted up 50bps from 1.25% to 1.75%, but the MPC was careful to keep its options open regarding future decision-making (also note that one vote was for only a 25bps increase). It tweaked its forward guidance in a couple of ways. First, it added that "policy is not on a pre-set path" and that the MPC will decide the "appropriate level of Bank Rate at each meeting". Second, it now says that "further changes" rather than "further increases" in Bank Rate "will reflect the Committee's assessment of the economic outlook and inflationary pressures". The first change suggests that rates will not automatically rise by 50bps at the next few meetings and that the higher rates go, the more important the level. The second change appears to open the door to rate cuts further ahead.
- In addition, the MPC surprised the market with its candidness in respect of its UK economic growth forecast assumptions. It stated that the UK is in for five quarters of recession starting in Q4 2022 and running all the way through to the end of 2023. In the interim, it is projected that CPI inflation will exceed 13% in Q4 2022. Half of this increase can be attributed directly to gas/electricity price inflation and a further 2% - 2.5% to the indirect knock-on effects of higher energy on production/services.
- Furthermore, the MPC said that it is "provisionally minded" to commence gilt sales of £10bn per quarter from the end of September. That means the balance sheet will soon start to shrink at a faster pace.
- However, that said, the MPC appeared also to be sending dovish signals further ahead as the forecast recession involves a 2.2% decline in GDP and if interest rates rise to 3.00%, as the markets currently expect, inflation will be below the 2% target in three years' time. That appears to imply that rates don't need to rise as far as 3.00% and/or that at some point in the next three years rates will need to be cut again to boost inflation.
- The Bank also acknowledged it has not taken account of the prospect of a change in Government policy regarding the potential tax cuts offered up by both Conservative leadership candidates vying to be the next Prime Minister. If this policy change occurs, regardless of whether it is to a lesser or greater extent, it is likely to add to inflationary pressures and will be an additional issue for the MPC to consider in full at its November meeting.
- You will already have concluded there is a lot to digest from what the MPC has said and done but as has been apparent for some time, there is also a huge influence on UK gilt yields and their movements emanating from what happens with US Treasuries. Therefore, in putting together our interest rate forecasts it is worth noting that should US inflation continue to be stubbornly high (currently the CPI reading is 9.1%) and the jobs reports continue to surprise on the upside (528,000 new jobs reported on Friday and unemployment at a record low of 3.5%), there is the prospect that any downward momentum in UK yields could be offset by Treasury yields shifting higher. Conversely, yield falls could also be supported by the Fed's determination to get inflation down in the US through robust monetary policy tightening.

- So, what revisions have we made to our forecasts? First, overall, we have quickened the pace of the Bank Rate increases. We still have a peak of 2.75% in Q1 2023 but that is now based on a 50bps hike in September followed by two 25bps increases in Q4 and Q1. At this juncture, we feel the MPC will want to be seen to be remaining tough on inflation, but they will also be cognisant of the cost-of-living squeeze accelerating, following 60%+ gas/electricity price increases in October. Therefore, after Bank Rate moves up to 2.25% in September, we forecast the pace of rate increases will fall back again from Q4. However, the MPC could also reach 2.5% at the end of the year by implementing equal 25bps hikes in September, November and December. A further 25bps increase in Q1 2023 is our best estimate, but by then we should have a better understanding of whether inflation has peaked, how fast it is falling and what is happening in the broader economy following the important Christmas retail sales data and monthly jobs and wages data.
- Regarding gilt yields, these have been on a march upwards since the turn of the year, but that march has been accompanied by significant bouts of volatility that have sometimes been not only hard to explain but also difficult to predict, including the direction of travel. Our best judgment is that gilt yields across the curve have a little further to rise but only by 20 – 30bps, so a lower peak than we were forecasting back in June.
- However, given the volatility we have witnessed in recent months, we are forecasting more of the same over the next couple of quarters at least. So, those clients looking to borrow will need to ensure they can act nimbly when the opportunity arises for locking out some interest rate certainty at attractive levels, whilst those looking to repay borrowing should take advantage of upward momentum in yields when that arises.
- In terms of our forecast, LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, our money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.
- Our current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 09.08.22													
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
3 month ave earnings	2.50	2.80	3.00	2.90	2.80	2.50	2.40	2.30	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.90	3.10	3.10	3.00	2.90	2.80	2.70	2.60	2.50	2.50	2.40	2.30	2.30
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80	2.70	2.70
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90	2.90	2.80
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20	3.20	3.10
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90	2.90	2.80

Link Group Interest Rate View 21.06.22													
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.10	3.00

#### SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 21 June and reflected a view that the MPC will be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases, including in August. Now we expect a further 0.5% increase in September; another 0.25% increase in November and a further 0.25% hike in February. But the timing and size of the hikes will be data dependent and, potentially, influenced by the actions of the US FOMC.

- *Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and the forecast recession may be prolonged.*
- *The CPI measure of inflation will peak at upwards of 13% in Q4 2022 and the MPC will note the influence gas/electricity price hikes have on this number, and whether wages data is behaving itself. Currently wages are rising at above 4%, excluding bonuses, and above 6%, including bonuses. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market, where employers are out-bidding each other to ensure they have the pick of a limited labour pool.*
- *Regarding the “provisional” plan to sell £10bn of gilts back into the market each quarter, starting in September, this will undoubtedly have an impact on the pricing of gilts to some degree, but we believe it will pale into insignificance against the other factors we have already outlined as influencing gilt yields.*
- *Notwithstanding the MPC’s clear desire to increase Bank Rate through the remainder of 2022, negative real earnings, the upcoming 60%+ hike in the Ofgem energy price cap from October (to be followed by a potential 10%+ further increase from January), at the same time as employees (and employers) have incurred a 1.25% Health & Social Care Levy, growing commodity and food price inflation plus council tax rises - all these factors will hit households’ finances hard. However, lower income families will be hit disproportionately hard despite some limited assistance from the Government to postpone the full impact of rising energy costs.*
- *In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies, but the on-going conflict between Russia and Ukraine, including the manner in which the West and NATO respond through sanctions and/or military intervention. Currently, oil, gas, wheat and other mainstream commodities have risen significantly in price and central banks will have to balance whether they prioritise economic growth or try to counter supply-side shock induced inflation. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)*
- *On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income before these increases hit and have few financial reserves.*

**PWLB RATES:**

- *The yield curve has fluctuated since our June update and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 2.5% to 3.25%.*
- *We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook.*
- *It is difficult to say currently what effect the Bank of England starting to sell gilts at a rate of £10bn per quarter, from September, will have. But our judgment is that US Treasury yield influences (driven by inflation and jobs/pay data) will affect gilt yields more than the gilt sales.*

**BALANCE OF RISKS TO THE UK ECONOMY:**

- *The overall balance of risks to economic growth in the UK is to the downside.*



Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- **The Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in the light of the cost-of-living squeeze.
- **The pound weakens on the back of UK/EU trade friction** resulting in investors pricing in a risk premium for holding UK sovereign debt.
- **Longer term US treasury yields** continue to rise strongly and pull gilt yields up higher than forecast.

#### **LINK GROUP FORECASTS:**

- We now expect the MPC to swiftly increase Bank Rate during the remainder of 2022 and into Q1 2023 to combat the sharp increase in inflationary pressures. We do not think that the MPC will embark on a series of increases in Bank Rate that would take it to more than 2.75%, but it is possible.

#### **GILT YIELDS AND PWLB RATES:**

- The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e., equities, or the safe haven of government bonds, despite material inflationary concerns. The overall longer-run trend is for gilt yields and PWLB rates to rise moderately in the near-term, given the extent to which market expectations are already priced in and then to fall back once inflation starts to fall through 2023.
- Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below:-

PWLB debt	Current borrowing rate as at 09.08.22 a.m.	Target borrowing rate now (end of Q3 2022)	Target borrowing rate previous (end of Q3 2022)
5 year	2.61%	2.80%	3.20%
10 year	2.81%	3.00%	3.40%
25 year	3.23%	3.40%	3.70%
50 year	2.99%	3.10%	3.40%

#### **BORROWING ADVICE:**

Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.25%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered out to 5 years. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

- In addition, there are also some alternative sources of long-term borrowing if a client is seeking certainty within their portfolio and wishes to avoid a “cost of carry”, or simply wishes to mitigate future re-financing risk. Please speak to your CRM to discuss options.

- *Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows:*

<b>Average earnings in each year</b>	<b>Now</b>	<b>Previously</b>
2022/23	2.40%	2.20%
2023/24	2.70%	2.75%
2024/25	2.30%	2.30%
2025/26	2.15%	2.10%
Years 6 to 10	2.15%	2.00%
Years 10+	2.30%	2.25%

- *As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for a trend of moderately rising gilt yields is unchanged.*
- *Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.*



<b>Signed off by</b>	Chief Finance Officer
<b>Author</b>	Luke Harvey, Project & Performance Team Leader
<b>Telephone</b>	Tel: 01737 276519
<b>Email</b>	Luke.Harvey@reigate-banstead.gov.uk
<b>To</b>	Audit Committee
<b>Date</b>	Wednesday, 7 September 2022

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Internal audit - Q1 2022/23 progress report
----------------	---

<b>Recommendations</b>
------------------------

- (i) That the Audit Committee note the Q1 2022/23 internal audit progress report available at annex 1; and,
- (ii) That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.

<b>Reasons for Recommendations</b>
------------------------------------

In accordance with its constitutional responsibilities and the Council's Internal Audit Charter, the Audit Committee is required to receive regular updates on the progress of internal audit plan delivery.

<b>Executive Summary</b>
--------------------------

This report provides an update on the delivery of the 2022/23 internal audit plan as of the end of Q1. The report also provides an update on audits from the 2021/22 audit plan that were still ongoing at the close of 2021/22 reporting.

<b>The Audit Committee has the authority to approve the above recommendations.</b>
--

<b>Statutory Powers</b>
-------------------------

1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] risk

# Agenda Item 5

management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

2. These standards are defined in the Public Sector Internal Audit Standards (PSIAS). The standards were last updated in 2017.
3. Under Section 151 of the Local Government Act (1972), the Council’s Chief Finance Officer holds the statutory responsibility for the overall financial administration of the Council’s affairs and is therefore responsible for maintaining an adequate and effective internal audit function.

## Background

4. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
5. The PSIAS defines internal audit as an ‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.
6. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.
7. The Council’s response to internal audit activity should lead to the strengthening of the control environment and contribute to the achievement of the organisation’s objectives.
8. The Audit Committee endorsed the 2022/23 internal audit plan in March 2022. The plan details the audit activity that takes place during the year.
9. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council’s risk profile and to ensure an appropriate level of audit coverage throughout the year.
10. Under the Council’s Constitution the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
11. The attached progress report:
  - Summarises the status of ‘live’ audit reports (an audit is considered to be ‘live’ if there are outstanding management actions);
  - Provides an update on the delivery of the annual audit plan;
  - Summarises internal audit performance, including assurance opinions given; and,
  - Summarises any adjustments made to the audit plan.

## Key Information

## Assurance opinions

# Agenda Item 5

12. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service under review.
13. SIAP's assurance opinions are categorised as follows:

Assurance opinion	Description
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## Q1 2022/23 progress update

14. Section 3 of the progress report available at annex 1 details the overall progress in delivering the 2022/23 internal audit plan, whilst section 7 provides an overview of the work programme for the year.
15. Section 5 of the report also provides a summary of the key observations arising from reviews that have concluded with a limited assurance opinion.
16. Full copies of internal audit reports are made available to all members via the ModGov document library.
17. At the time of the agenda publication, no reviews from the 2022/23 audit plan have concluded, though two are at the draft report stage.

## 2021/22 audit plan update

18. The Q4 2021/22 internal audit progress report noted that two reviews from the 2021/22 audit plan were outstanding. These were: contract management and parking and enforcement.

# Agenda Item 5

19. The contract management report has now concluded, with details of this review provided in the progress report available at annex 1.
20. The parking and enforcement review is at draft report stage and is expected to conclude shortly.

## **Management actions**

21. Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to design and implement actions that address these and, in so doing, control and mitigate risk.
22. Heads of Service are responsible for commissioning and acting on internal audit reviews in their service areas and, as senior officers and members of the management team of the Council, are ultimately responsible for overseeing the implementation of management actions. In so doing, they are able to amend the dates of implementing actions in response, for instance, to competing priorities.
23. The respective priority for individual actions (High, Medium or Low) is assigned by management in consultation with SIAP.
24. SIAP's report – and the part 2 exempt annex – provides detail on two currently overdue high priority actions, as well as the latest management update. The report also provides the total number of overdue low and medium priority actions and their revised implementation dates.
25. In April 2022 the Committee was provided with an update on the implementation of overdue management actions, several of which have now concluded.
26. Two further actions have recently become overdue and therefore would not have been captured in the April 2022 report to the Audit Committee. These two actions relate to the review into IT virtualisation – networking and communications. Implementation of these two actions has been delayed as a consequence of the issues referenced in the part 2 exempt annex accompanying this report.
27. All overdue actions have revised implementation dates and management continues to work on their implementation in a risk-based and proportionate way.

## **Amendments to the 2022/23 audit plan**

28. As noted above, the internal audit plan is risk based and determines the priorities of internal audit activity. The plan should remain fluid and be kept under constant review in order to ensure that it continues to remain relevant to the Council's risk profile and to ensure an appropriate level of audit coverage.
29. Section 8 of SIAP's progress report summarises any amendments made to the audit plan for the year.
30. In Q1 the following amendments were made:
  - Test and Trace Contain Outbreak Management Fund (COMF) and Test and Trace Support Payment Scheme Funding (TTSP) were added to the plan. The grants require an internal audit review and sign off by the Council's Chief Internal Auditor.

# Agenda Item 5

- To accommodate the latter in the audit days available, the review into the Corporate Plan has been deferred.

## Options

31. The Committee has two options:
32. Option 1: note the report and make any observations on its contents to the Council's Chief Finance Officer.
33. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

## Legal Implications

34. There are no legal implications arising from this report.

## Financial Implications

35. Internal audit fees are funded through the Council's annual revenue budget.
36. There are no other financial implications arising from this report.

## Equalities Implications

37. There are no equalities implications arising from this report.

## Communication Implications

38. There are no communication implications arising from this report.

## Environmental Sustainability Implications

39. There are no environmental sustainability implications arising from this report.

## Risk Management Considerations

40. An effective internal audit function is an important part of effectively managing risk.
41. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
42. There are no other risk management implications.

## Other Implications

43. There are no other implications arising from this report.

## Consultation

44. This report has been considered by the Council's Corporate Governance Group as part of its governance role.

## Policy Framework

# Agenda Item 5

45. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan priority areas.

**Background Powers**

None.





---

**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

---

**REIGATE AND BANSTEAD BOROUGH COUNCIL**

**Internal Audit Progress Report – 2022/23 (Q1)**

**Prepared by: Natalie Jerams, Deputy Head of Partnership**

**August 2022**

## Contents

1.	Role of Internal Audit	2
2.	Purpose of report	3
3.	Performance dashboard	4
4.	Analysis of 'Live' audit reviews	5
5.	Executive summaries 'Limited' and 'No' assurance opinions	6-7
6.	Planning and resourcing	7
7.	Rolling work programme	7-9
8.	Adjustments to the Plan	10
	Annex 1 – Overdue 'High Priority' Management Actions	11
	Annex 2 - Overdue 'Low and Medium Priority' Management Actions	12
	Annex 3 – Previous R&BBC Assurance Opinions	13

## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

## 2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

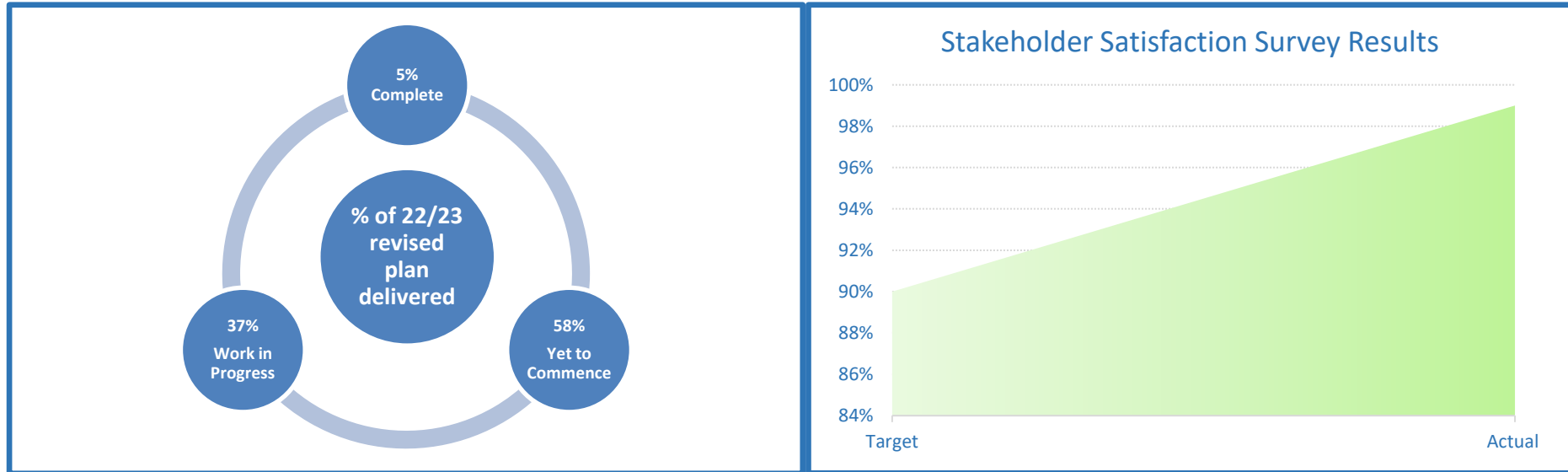
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

*\* Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 3*

### 3. Performance dashboard



47

#### Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*


## 4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions*	Not Yet Due	Complete	Overdue		
							L	M	H
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	5(2)		1	
Risk Management	03.02.21	HofP&P	Reasonable	3(0)	2(0)	1(0)			
Fleet Management	06.04.21	HofNO	Limited	16(3)	0(0)	15(3)		1	
Procurement	05.05.21	HofF	Limited	8(0)	0(0)	1(0)		7	
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	3(3)	4(2)			1
Information Governance	06.12.21	HofIT	Reasonable	3(0)	1(0)	2(0)			
IT Virtualisation	16.02.22	HofIT	Reasonable	5(1)	1(0)	2(1)		2	
HR – Absence Management	17.05.22	HofOD	Substantial	2(0)	1(0)	1(0)			
Non Housing Property Management & Maintenance	06.06.22	HofF	Reasonable	6(1)	0(0)	5(0)			1
Contract Management	18.08.22	HofL&G	Limited	4(0)	3(0)	1(0)			
<b>Total</b>				<b>61(13)</b>	<b>11(3)</b>	<b>37(8)</b>	<b>0</b>	<b>11</b>	<b>2</b>

\*Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There has been one final report published concluding a “Limited” or “No” assurance opinion since the last progress report in June 2022.

Contract Management		
Audit Sponsor	Assurance opinion	Management Actions
Head of Legal & Governance		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium 3</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>
<p><b>Summary of key observations:</b></p> <p>This audit reviewed corporately prescribed contract management controls and sampled three specific contracts against these. We satisfactorily confirmed that Contract and Financial Procedure Rules, prescribed within the constitution set out roles and responsibilities for contract management.</p> <p>We verified that signed contracts and a clear specification were held for our sample and confirmed with the Council’s Legal Secretary that where paper contracts are retained these are securely archived. For our sampled contracts only one has required a variation. We verified that this was formally documented in Addendums within a revised contract document.</p> <p>We confirmed that for two of the contracts examined there was reasonable or very good evidence of close monitoring of contract performance through regular meetings and KPIs. However, we note that scheduled monthly meetings with the contractor for one contract do occur but are not recorded. In addition, the current Contract Manager did not hold a copy of the contract specification which would, in normal circumstances, be a prime document for holding the contractor to account.</p> <p>The Council’s Contract register is automatically produced from the Council's InTend software. Our examination of the Contract Register found that the register is incomplete. Omissions in the current Contracts Register has resulted in non-compliance with the Local Government Transparency code that requires local authorities to publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. Additionally, the published contract register is also only available in 17 separate segmented spreadsheets which impedes a single point of public review and is not updated to reflect contract extensions.</p>		

49

**RBBC's management response:**

We are aware of the current challenges around procurement and contract management within the Council and are developing a plan to address them, primarily through adoption of a new procurement strategy and creation of a procurement governance board, to ensure strategic and central oversight of procurement and contract management activity and appropriate periodic challenge.

Regarding the observations for the Leisure contract, we will discuss with the service area and contract manager and support them to identify measures to improve the management of this contract going forward; the contract manager will measure and report on the KPI's in accordance with the contract.

We are aware of the issues surrounding our contract register and that the current process requires the procurement officer to manually insert each entry. The contract register will be reviewed and improved to ensure accuracy. We will explore options for improving the links between finance and procurement systems to ensure that there is an accurate contracts register.

## 6. Planning & Resourcing

The internal audit plan for 2022-23 was presented to Corporate Governance Group and the Audit Committee in March 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

## 7. Rolling Work Programme 2021/22

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>2021/22 Reviews</b>								
Contract Management	HofL&G	✓	✓	✓	✓	✓	<b>Limited</b>	
Parking & Enforcement	HofNS	✓	✓	✓	✓			Draft report issued, response pending.



Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>2022/23 Reviews</b>								
<b>Corporate</b>								
Savings Realisation	HofF							Q4
Payment Card Industry Data Security Standard	HofF							Q3
<b>Governance</b>								
Decision Making & Accountability	HofL&G	✓	✓	✓	✓			Draft report issued, response pending.
Human Resources & Organisational Development	HofOD							Q4
Commissioning & Procurement	HofL&G							Q4
Health & Safety	HofNS	✓	✓					
Business Continuity	HofNS	✓	✓	✓	✓			Draft report issued, response pending.
<b>IT</b>								
Cyber Security - Managed Security Service Platform	HofIT							Q4
IT Database Management	HofIT							Q2 – Scoping on 24/8/22
IT Follow Up	HofIT							Q3
<b>Core Financial Reviews</b>								
Council Tax	HofRB&F	✓						
Income Collection	HofF	✓	✓					Fieldwork to start 5/9/22
NNDR	HofRB&F							Q3
<b>People</b>								
Housing (including Affordable Housing)	HofH							Q3

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>Place</b>								
Parks & Countryside	HofNS							Q4
Economic Prosperity	HofEP	✓	✓					
Environmental Sustainability	HofCPP&BA							Q3
Fleet Management – Follow Up	HofNS							Q3
<b>Other (Non-Assurance Work)</b>								
Test And Trace Contain Outbreak Management Fund (COMF)	HofF	✓	n/a	✓	n/a	✓	n/a	Grant certification
Test and Trace Support Payment Scheme Funding (TTSP)	HofF	✓	n/a	✓				Grant certification

Audit Sponsors			
HofCPP&BA	Head of Corporate Policy, Projects & Business Assurance	HofW&I	Head of Wellbeing and Intervention
HofOD	Head of Organisational Development	HofCP	Head of Community Partnerships
HofIT	Head of IT	HofC&CC	Head of Communications and Customer Contact
HofL&G	Head of Legal and Governance	HofP	Head of Planning
HofF	Head of Finance	HofPD	Head of Place Delivery
HofH	Head of Housing	HofEP	Head of Economic Prosperity
HofRB&F	Head of Revenues Benefits and Fraud	HofNS	Head of Neighbourhood Services

## 8. Adjustments to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2021/22	
Added to the plan	Reason
Test And Trace Contain Outbreak Management Fund (COMF)	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor. Please see below for the adjustment made to the plan to accommodate this review.
Test and Trace Support Payment Scheme Funding (TTSP)	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor. Please see below for the adjustment made to the plan to accommodate this review.
Removed from the plan	Reason
Corporate Plan	Deferred to 2023/24 to accommodate the reviews of the COMF and TTSP grants.

## Overdue 'High Priority' Management Actions

IT Disaster Recovery – Limited Assurance			
<b>Observation:</b> Please see separate report.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Please see separate report.			

Non Housing Property Management & Maintenance – Reasonable Assurance			
<b>Observation:</b> The Council does not have a current Asset Management Plan (AMP). An AMP sets out how the Council intends to manage its property assets, with property maintenance objectives being a large part of this.  The previous AMP served a five-year period expiring in 2020. According to the AMP itself it should also have been subject to annual review. This was last carried out in 2016.  The previous AMP also contained key performance indicators outlining how property maintenance objectives are to be measured and assessed for success. These are not currently being measured and reported.  We were advised that the AMP review was placed on hold to allow for the development of the Councils Commercial/Asset Strategy Parts 1&2 pending approval by the Member Executive Committee. This was subsequently approved at the Executive Committee on 16th December 2021.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Recommendations from the Commercial Asset Strategy to be incorporated within the updated Asset Management Plan, which will be reviewed and reported at the Commercial Ventures Board on an annual basis.	30.06.2022	31.10.2022	The Asset Management Plan 2023 to 2028 has been drafted and is currently subject to final consultation and review by officers and Executive Members. It is scheduled to be submitted for formal approval in the autumn.

## Overdue 'Low &amp; Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Council Tax	05.02.2020	Adequate	Medium	01.04.2020	31.03.2023
Fleet Management	06.04.2021	Limited	Medium	31.12.2021	30.09.2022
Procurement	05.05.2021	Limited	Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
IT Virtualisation	16.02.2022	Reasonable	Medium	31.05.2022	30.09.2022
			Medium	31.05.2022	30.09.2022

**Reigate & Banstead Borough Council Assurance Opinions (Pre 2020-21)**

- Substantial** A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
- Limited** Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
- No** Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

# Agenda Item 6



<b>Signed off by</b>	Head of Corporate Policy
<b>Author</b>	Luke Harvey, Project & Performance Team Leader
<b>Telephone</b>	Tel: 01737 276519
<b>Email</b>	Luke.Harvey@reigate-banstead.gov.uk
<b>To</b>	Audit Committee Executive
<b>Date</b>	Audit Committee: Wednesday, 7 September 2022 Executive: Thursday, 15 September 2022
<b>Executive Member</b>	Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Risk management - Q1 2022/23
----------------	------------------------------

<b>Recommendations</b>
<p><b>That the Audit Committee:</b></p> <p>(i) <b>Note the Q1 2022/23 update on risk management provided by the report and make any observations to the Executive.</b></p> <p><b>That the Executive:</b></p> <p>(ii) <b>Note the Q1 2022/23 update on risk management provided by the report.</b></p>
<b>Reasons for Recommendations</b>
The Audit Committee and Executive's constitutional responsibilities require the regular receipt of updates on risk management.
<b>Executive Summary</b>
This report provides an update on risk management in Q1 2022/23.

<b>Statutory Powers</b>
-------------------------

# Agenda Item 6

1. The Council holds various statutory responsibilities for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, accounted for, and is used economically and effectively.
2. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs. The discharge of this responsibility includes arrangements for managing risk.
3. The Council's Code of Corporate Governance outlines these core governance principles; compliance with the code is reported each year via the Annual Governance Statement.

## Background

4. Reigate and Banstead Borough Council has a proactive approach to risk management. It is an integral part of the Council's corporate governance arrangements and is built into management processes.
5. The Council operates a two-tiered risk management process to address the dynamic and interdependent nature of risk categorisation. The risk categories are strategic and operational risks.
6. Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan (MTFP).
7. Members of the Management Team and Executive Members have shared responsibility for strategic risks. Strategic risks are reported quarterly to senior officers via Corporate Governance Group, as well as to the Audit Committee and Executive. The Executive approves key changes to the strategic risk register, such as the identification of new risks as well as closing risks.
8. Operational risks are short term risks that are encountered in the course of the day-to-day delivery by services. However, if the operational risk cannot be fully managed within the service or it has a wider organisational impact, then it will be considered for inclusion in the operational risk register. Heads of Service have responsibility for operational risks. Operational risks are reported to senior officers via Corporate Governance Group. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.
9. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and internal control environment. It provides independent review of Reigate and Banstead Borough Council's governance, risk management and control frameworks. A key component of fulfilling this responsibility is to regularly receive and review the Council's risks and make any observations to the Executive.

## Key Information

### Q1 2022/23 risk management update

10. The full strategic risk register is available at annex 1 of this report.
11. In Q1 no new strategic risks were identified and no strategic risks were identified for closure.



## **SR4 – ‘Challenging economic conditions for residents and businesses’**

12. The strategic risk register for 2022/23 includes a risk on challenging economic conditions for residents and businesses.
13. At its meeting in June 2022, the Audit Committee requested that consideration be given to maintaining two separate strategic risks on challenging economic conditions, with one focusing on residents and the other on businesses. At its subsequent meeting the Executive agreed that officers should consider this as part of the Q1 2022/23 update on risk management.
14. The request has been considered in consultation with Heads of Service and the Council’s Corporate Governance Group. The Council’s approach to risk management is based on causes and the impacts of risk on the Council. In this case there is a shared cause (economic conditions) and a common impact, namely a potential risk of an increase in demand for services and/or difficulties in collecting income. It is therefore considered appropriate that one strategic risk be maintained.
15. It is certainly the case that the impacts of current economic circumstances on residents and businesses (as opposed to the Council) are distinct. Members of the Audit Committee can be assured that the Council is taking – and will continue to take – steps to support residents and businesses as well as to manage the strategic risk to the organisation.

### **Red rated operational risk**

16. In Q1 there was one red rated operational risk, the detail of which is set out in the part 2 exempt annex 2.
17. The full risk registers, as well as the Council’s risk management strategy, are made available to all members through the ModernGov document library.

### **Options**

18. The Audit Committee has one option:
  - Option 1: note this report and make any observations to the Executive.
19. The Executive has one option:
  - Option 1: note this report and make any observations to the Head of Corporate Policy, Projects and Performance.

### **Legal Implications**

20. Any legal implications of risks are addressed as required and as part of their control and mitigation.
21. There are no other legal implications arising from this report.

### **Financial Implications**

# Agenda Item 6

22. Financial risks are taken into account when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget and Capital Programme each year.

## **Equalities Implications**

23. There are no equalities implications arising from this report.

## **Communication Implications**

24. There are no communications implications arising from this report.

## **Environmental Sustainability Implications**

25. There are no environmental sustainability implications arising from this report.

## **Risk Management Considerations**

26. The Council's risk registers inform the development of the annual risk based internal audit plan, progress against which is reported separately to the Audit Committee.
27. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

## **Other Implications**

28. There are no other implications arising from this report.

## **Consultation**

29. The contents of this report have been considered by the Council's Corporate Governance Group.

## **Policy Framework**

30. The Council's risk management strategy and methodology provides additional information on how the council manages risk.

## **Background Powers**

Risk management strategy:

[https://www.reigate-banstead.gov.uk/info/20090/council\\_policy/929/risk\\_management](https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management)

## Risk management

### Strategic risk register

#### Quarter 1 – April to June 2022

#### Strategic Risks

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and the Medium-Term Financial Strategy. The Management Team has shared responsibility for strategic risks.

The Council's strategic risks are detailed in below table:

<a href="#"><u>SR1</u></a>	<a href="#"><u>Coronavirus pandemic</u></a>
<a href="#"><u>SR2</u></a>	<a href="#"><u>Financial sustainability</u></a>
<a href="#"><u>SR3</u></a>	<a href="#"><u>Commercial investment</u></a>
<a href="#"><u>SR4</u></a>	<a href="#"><u>Challenging economic conditions for residents and businesses</u></a>
<a href="#"><u>SR5</u></a>	<a href="#"><u>Organisational capacity and culture</u></a>
<a href="#"><u>SR6</u></a>	<a href="#"><u>Cost pressures affecting the viability of Council developments</u></a>
<a href="#"><u>SR7</u></a>	<a href="#"><u>Local government reorganisation, devolution and Levelling Up</u></a>
<a href="#"><u>SR8</u></a>	<a href="#"><u>ICT network capacity and resilience</u></a>
<a href="#"><u>SR9</u></a>	<a href="#"><u>Fraud</u></a>
<a href="#"><u>SR10</u></a>	<a href="#"><u>Gatwick Airport</u></a>
<a href="#"><u>SR11</u></a>	<a href="#"><u>Planning system reform</u></a>
<a href="#"><u>SR12</u></a>	<a href="#"><u>Climate change impact</u></a>

#### Risk rating

Each risk is scored using the potential impact of the risk and the likelihood of the risk happening. The risk score then determines the level of management action required:

<b>RED</b>	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority.
<b>AMBER</b>	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus
<b>YELLOW</b>	These should have basic mechanisms in place as part of the normal course of management.
<b>GREEN</b>	Where risk is minimal if does not demand specific attention but should be kept under review.


## Risk status

<b>Tolerate</b>	Decide to accept the risk and take no further measures. This should be a conscious and deliberate decision taken having decided that it is more cost effective to do so than attempt mitigating action.
<b>Transfer</b>	Transfer all or part of the risk. For example, to insurance or to other agencies/contractors.
<b>Treat</b>	Proactive action taken to reduce: <ul style="list-style-type: none"><li>• The probability of the risk happening by Introducing control measures</li><li>• The impact of the risk should it occur.</li></ul>
<b>Close</b>	This could involve changing an aspect of the activity or ceasing to provide the service/function/project and thus eliminate the risk.

## RISK RATINGS

65

IMPACT						
Grave	5					
Significant	4		SR8	SR5 SR6 SR7	SR2 SR4	
Moderate	3		SR3	SR10 SR11	SR9 SR12	
Minor	2		SR1			
Almost none	1					
		1	2	3	4	5
LIKELIHOOD		Rare	Unlikely	Possible	More than likely	Almost certain

<b>SR1</b>		<b>Coronavirus pandemic</b>		<b>GREEN</b>
<b>Description</b>		The Council will continue to respond to the Covid-19 pandemic in supporting residents, businesses as well as partner voluntary and public sector organisations. However, the effects of, and the ongoing response to, the pandemic could result in significant disruption to the delivery of services and the wider achievement of corporate objectives.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Brunt	
		<b>Officers</b>	Mari Roberts-Wood and Luci Mould	
<b>Controls</b>		<p>Ongoing planning for disruption caused by the pandemic, including maintaining organisational preparedness via emergency and business continuity planning as well as robust risk assessments.</p> <p>The resumption of Covid-19 command and control processes and procedures if required.</p> <p>Liaison and engagement with partners and the Surrey Local Resilience Forum.</p>		
<b>Mitigating actions/progress</b>		<p>Operating within the confines of, and responding to, Covid-19 has now become part of 'business as usual' for the Council, with disruption being proactively planned for. The impact of Covid-19 on the Council continues to reduce, though the risk will continue to be monitored, particularly as we move into the autumn and winter period.</p> <p>The Council's offices have now fully reopened to staff with Covid-19 control measures in place to mitigate against workplace transmission, safeguarding staff health and business continuity.</p>		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	
	<b>Impact</b>	Minor		
<b>Status</b>		Treat		
<b>Last update</b>		8 August 2022		

SR2	Financial sustainability		RED
<p><b>Description</b></p>	<p>The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council.</p> <p>The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</p>		
<p><b>Owner</b></p>	<p><b>Portfolio Holder</b></p>	<p>Cllr Schofield</p>	
	<p><b>Officers</b></p>	<p>Pat Main</p>	
<p><b>Controls</b></p>	<p>The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks.</p> <p>The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning, while the Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed.</p> <p>The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.</p> <p>The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.</p> <p>The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.</p> <p>Internal audit will be utilised to review the approach taken to secure financial sustainability.</p>		
<p><b>Mitigating actions/progress</b></p>	<p>In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. The programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget and with a reducing need to draw on reserves. Key to this will be looking at delivering services differently to realise savings and/or increase income, as well as embedding lasting cultural change across the organisation.</p> <p>The programme is premised on the following:</p> <ol style="list-style-type: none"> <li>1. <b>Projects</b> – new ideas and opportunities for generating income and/or making savings.</li> <li>2. <b>Service and financial planning (2023/24 onwards)</b> – for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services</li> </ol>		

SR2		Financial sustainability	RED	
		<p>delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored.</p> <p>3. <b>Fees and charges</b> – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.</p> <p>Updates on the programme will be reported to the Overview and Scrutiny Committee and Executive.</p> <p>An updated MTFP was reported to the Overview and Scrutiny Committee and Executive in July 2022 (agenda <a href="#">available here</a>).</p> <p>The update confirmed that the risk of increasing costs, driven by inflationary pressures in the wider economy and disruption of the global supply chain, presents an increasing challenge to the Council’s financial sustainability. This is especially notable for the goods and services that the Council relies on to maintain service delivery. The Council continues to ensure the most financially advantageous/sustainable option is selected when procuring goods and services and, wherever possible, the Council will ensure that increased costs are reflected in the fees and charges levied or compensating budget savings will be sought.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		2 August 2022		



<b>SR3</b>		<b>Commercial investment</b>		<b>AMBER</b>
<b>Description</b>		<p>The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.</p> <p>Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control.</p> <p>The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllrs Archer and Schofield	
		<b>Officers</b>	Mari Roberts-Wood, Pat Main and Cath Rose	
<b>Controls</b>		<p>Effective governance arrangements for investment decision making.</p> <p>Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions.</p> <p>Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.</p> <p>Independent valuations will be commissioned as part of the decision-making process.</p> <p>Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.</p> <p>Exit strategy options will be considered at the time of decision-making.</p> <p>Commercial projects will be overseen by the Commercial Ventures Executive Sub-Committee.</p>		
<b>Mitigating actions/progress</b>		The Council has now adopted parts 1 and 2 of the commercial strategy which sets the agreed parameters for commercial activity, including an action plan which will be reported on annually.		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		26 July 2022		

<b>SR4</b>	<b>Challenging economic conditions for residents and businesses</b>		<b>RED</b>
<b>Description</b>	<p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The Covid-19 pandemic has resulted in significant negative impacts upon the economy – including on sectors particularly impacted by restrictions – the effects of these will continue to be felt for some time.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from fees and charges and the collection of monies owed.</p> <p>Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current high levels of inflation and rising consumer prices.</p>		
<b>Owner</b>	<b>Portfolio Holder</b>	Cllrs Humphreys, Neame and Ashford	
	<b>Officers</b>	Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland and Justine Chatfield	
<b>Controls</b>	<p>The UK and Global Economies are outside of the control and influence of the council. However, the Council is able to provide support to residents and businesses; both via direct service delivery and also through the disbursement of grants and other sources of funding.</p> <p>The Council's Business Engagement Team provides a range of advice, support and networking opportunities for local business, allowing the Council to receive feedback on general economic performance and conditions.</p> <p>Early and regular engagement by the Community Development and Intervention teams to support residents.</p> <p>The operation of Council owned and operated emergency accommodation to reduce spend on temporary emergency accommodation.</p> <p>Applying for government grants to fund additional support services.</p> <p>Joint working and close collaboration with partners.</p>		
<b>Mitigating actions/progress</b>	<p>The removal of the government's Covid-19 restrictions resulted in a marked uptick in economic activity in 2021/22, with the UK economy growing beyond its pre-pandemic size at the end of 2021.</p> <p>However, consumer price inflation has risen significantly across the world, including the UK where the consumer price index is forecast by the Bank of England's Monetary Policy Committee to reach 13% in 2022/23. Consumer prices are rising due to sharp increases in global energy and commodity prices as well as tradable goods prices, the latter due to global supply chain disruption and bottlenecks.</p> <p>The UK economy is subsequently forecast to enter a recession in the latter part of 2022. The economic environment for residents and businesses is therefore inherently uncertain.</p> <p>The Council has released a communication campaign encouraging residents to buy local. Additionally, the Council is promoting the use of energy efficiency grants from SCC to support local businesses, highlighting energy saving and efficiency measures, such as solar panel installation, long life lights, etc to reduce the impact of rising costs.</p>		

<b>SR4</b>		<b>Challenging economic conditions for residents and businesses</b>		<b>RED</b>
<p>The Council will continue to apply for business support grants to support local employment and businesses and distribute them as and when they become available.</p> <p>Following an increase during the height of the Covid-19 pandemic, the Council's Money Support service has seen referrals return to more 'normal' pre-pandemic levels. It is possible, however, that the rising cost of living will result in increased referrals. Additional resourcing has been identified to support the service if necessary. The Council also facilitates closer collaboration between the various other money and debt advice services operating in the borough.</p> <p>The Council continues to closely liaise with voluntary sector partners and to participate in the Surrey wide fuel poverty group, which will look to reduce incidents of and support residents at risk of fuel poverty. The Council administers grants to eligible householders to help them insulate their homes. The Council also provides grants to local voluntary sector organisations to provide utilities top-ups to residents living in fuel poverty.</p> <p>The Council is supporting those affected by food poverty in the borough by facilitating food club initiatives and facilitating coordination between food banks in the borough. Food clubs support residents experiencing financial hardship with access to food and basic supplies. They can help provide a sustainable solution to food poverty and reduce the need to use emergency food banks.</p> <p>In February 2022 the Chancellor announced that council taxpayers who live in a band A to D property will receive a one-off payment of £150 to support them with rising energy costs. The Council has administered this scheme on behalf of the government, with payments beginning in April 2022. The vast majority of payments to eligible residents have now been made.</p> <p>The Council continues to apply for government grants to support homeless residents, or those at risk of homelessness.</p> <p>The Council has commenced a study linking affordability of housing in the borough to the number of homelessness in Q1 of 21/22. This has continued into the 2022/23 financial year with additional data from the 1<sup>st</sup> quarter being added into the dataset.</p> <p>The Council also continues to administer the government's Household Support Fund. The first tranche of the scheme allocated the Council £382,000. This was used to support over 4,000 vulnerable households with accessing food and heating their homes. The Council also used the funds to support our voluntary sector partners and households to prevent homelessness. The government has announced the continuation of the scheme, with a further £500 million made available to local authorities across the country.</p>				
<b>Score</b>	<b>Likelihood</b>	More than likely	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat/tolerate		
<b>Last update</b>		14 July 2022		

<b>SR5</b>		<b>Organisational capacity and culture</b>		<b>AMBER</b>
<b>Description</b>		<p>The Covid-19 pandemic has had a significant impact on the Council, with additional demands and challenges arising alongside the need to continue to deliver on corporate objectives. The pandemic has also drastically changed the way the Council operates, the context within which it does so, with a resultant shift in the organisational culture and ways of working.</p> <p>As we increasingly move into recovery, these factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. In this new context, the embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Lewanski	
		<b>Officers</b>	Mari Roberts-Wood and Kate Brown	
<b>Controls</b>		<p>Implementation of the Organisational Development strategy (known as the Great People strategy).</p> <p>Development of an embedded Workforce Planning approach for the Council, with service and financial planning to appropriately resource the Council's staffing requirements.</p> <p>Recruitment, training and development.</p> <p>Ongoing consultation and engagement with staff.</p> <p>Succession planning.</p>		
<b>Mitigating actions/progress</b>		<p>Before the COVID-19 pandemic significant work was undertaken on the Council's Great People work programme (formerly known as the Organisational Development strategy) which has formed the solid basis for post-pandemic planning. The Council has developed and implemented an embedded Workforce Planning Approach with service and financial planning to ensure resource to meet the Council's staffing requirements.</p> <p>A proposal for the future structure of the Senior Management Team was presented to the Employment Committee and its recommendations approved, implementation has now commenced.</p> <p>Projects related to future ways of working, including 'hybrid working', are being taken forward by the Organisation Board.</p> <p>HR continue to proactively address staff wellbeing issues, with initiatives for helping support staff and their wellbeing progressing. Measures have also been implemented to support staff to come together and collaborate in a Covid secure way. A wider, strategic piece focusing on staff welfare is continuing to be developed. Staff are continuing to be encouraged to take annual leave and take suitable breaks away from work.</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat		
<b>Last update</b>		2 August 2022		

<b>SR6</b>		<b>Cost pressures affecting the viability of Council developments</b>		<b>AMBER</b>	
<b>Description</b>		<p>The UK construction sector has seen an increase in building material and labour costs arising from global supply chain disruption and inflationary pressures.</p> <p>This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.</p>			
<b>Owner</b>		<b>Portfolio Holder</b>	Cllrs Biggs and Schofield		
		<b>Officers</b>	Mari Roberts-Wood, Luci Mould, Pat Main, Peter Boarder		
<b>Controls</b>		<p>Robust, stress tested business cases for all development projects which are reported and monitored via established governance arrangements.</p> <p>The Council will collaborate and seek external advice from external professional teams (quantity surveyors, employers' agents, etc.) to attempt to resolve cost pressures.</p> <p>Rigorous change management processes will be put in place for all development projects.</p> <p>External grant funding opportunities will be pursued where available.</p>			
<b>Mitigating actions/progress</b>		Cost pressures on Council development schemes are considered under the annual service and financial planning and budgeting process. Such cost pressures are also considered as part of business case stage of any development and are closely monitored throughout a projects lifecycle.			
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-	
	<b>Impact</b>	Significant			
<b>Status</b>		Treat			
<b>Last update</b>		8 August 2022			

<b>SR7</b>		<b>Local government reorganisation, devolution and Levelling Up</b>		<b>AMBER</b>
<b>Description</b>		A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of the government's devolution and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Brunt	
		<b>Officers</b>	Mari Roberts-Wood	
<b>Controls</b>		Close working with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey. Lobbying central government where appropriate and necessary.		
<b>Mitigating actions/progress</b>		<p>A government White Paper on devolution and 'Levelling Up' was published in February 2022. The White Paper set out the government's Levelling Up objectives as well as details and principles of a new devolution framework for England. In May 2022 the government published its Levelling Up and Regeneration Bill. The Bill creates the statutory basis for the new forms of devolution articulated in the earlier White Paper. The Bill is currently at the committee stage in the House of Commons.</p> <p>The Bill articulates three levels of devolution. 'Level 3' describes the creation of Combined County Authorities (CCAs) with directly elected mayors as recipients of newly devolved powers and funding. Whilst the existing legislative provisions for combined authorities require all local authorities within the area covered to be a full member, the CCAs introduced by the Bill may be setup with upper-tier authorities only (county and unitary authorities). The Bill would also permit the Secretary of State to transfer powers and functions away from a county or districts in an area to the newly established CCA. The Bill may therefore result in a substantial transference of powers and responsibilities in areas receiving a CCA.</p> <p>Surrey County Council are developing a proposal to secure a county deal for Surrey as described within the Bill's devolution framework. However, at this time Surrey is not thought to be pursuing a 'level 3' devolution deal.</p> <p>The Council will continue to seek to proactively influence the debate and proposals on potential devolution deals as well as the future structure of local government within Surrey.</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat		
<b>Last update</b>		12 July 2022		

SR8		ICT network capacity and resilience		AMBER
<b>Description</b>		<p>The Covid-19 pandemic has sparked a significant shift in the way that the Council works, with increasing demands placed on technology and the underlying supporting ICT infrastructure.</p> <p>As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack.</p> <p>It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Lewanski	
		<b>Officers</b>	Darren Wray	
<b>Controls</b>		<p>ICT has in-place several layers of defences protecting core data and systems from Internet and locally introduced threats. Including email scanning, internet browsing controls; device and server based anti-virus software and whole disk encryption for laptops.</p> <p>Virus patterns are updated on a regular basis. Firewalls are placed at points on the network where external connections join the local network.</p> <p>Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p> <p>Active contract with NCCGroup, a cyber security specialist organisation for the investigation of any incidents that may arise.</p> <p>A programme of cyber security training with all staff</p>		
<b>Mitigating actions/progress</b>		<p>The ICT service has put in place a Service Level Agreement (SLA) with the NCCGroup, who work on behalf of the Cabinet Office on heightening cyber security across local government. The SLA provides support and instant access to the NCCGroup's expertise in the event of a cyber security incident.</p> <p>In March 2022 a proposal for significant enhancements to the Council's cyber security capabilities was approved by the Executive and Full Council as part of the Council's new ICT strategy. Implementation of the new strategy has now begun, with procurement phase beginning in Q1.</p>		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat		
<b>Last update</b>		13 July 2022		

<b>SR9</b>		<b>Fraud</b>		<b>AMBER</b>
<b>Description</b>		Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated by the new areas of activity as part of the Council's response to the Covid-19 pandemic.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Schofield	
		<b>Officers</b>	Mari Roberts-Wood and Simon Rosser	
<b>Controls</b>		<p>The Council maintains robust control measures to protect public funds from fraudulent activity. This includes the Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy and Prosecution Policies.</p> <p>The Council has a Fraud and Financial Investigations Team that are proactive and reactive. Investigations can be external and internal and cover all areas of corporate fraud.</p> <p>Staff induction also includes fraud awareness training, as well as awareness of established policies and procedures.</p> <p>Internal audit undertaking reviews into fraud risk areas.</p>		
<b>Mitigating actions/progress</b>		<p>The Council's in-house fraud team detected elevated levels of fraudulent activity during 2021/22. This had arisen from new activity areas as part of the pandemic response – for instance, business grants and Test and Trace payments – as well as the effects of the pandemic giving rise to increased attempts to commit fraud, such as in attempting to fraudulently join the Council's housing register.</p> <p>The Council is making proactive fraud checks on all housing applications and action will be taken where appropriate.</p> <p>A staff wide fraud awareness programme has been implemented, with training of the relevant teams continuing to take place.</p>		
<b>Score</b>	<b>Likelihood</b>	More than likely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		21 July 2022		



<b>SR10</b>		<b>Gatwick airport</b>		<b>AMBER</b>
<b>Description</b>		Despite the impact of the Covid-19 pandemic on international travel, Gatwick Airport is continuing to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough's economy, its expansion risks local environmental and infrastructural issues if not appropriately planned and managed.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Biggs	
		<b>Officers</b>	Luci Mould and Simon Bland	
<b>Controls</b>		<p>This risk is largely outside of the Council's control and is dependent on any possible support provided by the government to the aviation sector and the commercial decisions made by private companies.</p> <p>The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits.</p> <p>Engagement with Gatwick via the formal planning process</p> <p>Cooperation with neighbouring Local Authority partners affected by the expansion</p>		
<b>Mitigating actions/progress</b>		<p>Gatwick continues to pursue its plans for expansion. The Council responded to a consultation in advance of the airport's application for a development consent order, which is expected to be made towards the end of 2022.</p> <p>A new phase of engagement has commenced in Q1 of 2022/23, which the Council is continuing to participate in.</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat/tolerate		
<b>Last update</b>		14 July 2022		

SR11	Planning system reform		AMBER
<p><b>Description</b></p>	<p>The government is considering changes to the planning system in England. There is a risk that, if adopted in the form contained in the consultation White Paper, these changes could result in a loss of local democratic control over planning matters.</p> <p>Although the government have confirmed that they will not be increasing the threshold at which affordable housing is required from developments (which was included in a past consultation documents), there is a risk that the other proposed changes, if adopted into national policy, could result in a reduction in the delivery of affordable housing in the borough.</p>		
<p><b>Owner</b></p>	<p><b>Portfolio Holder</b></p>	<p>Cllr Biggs</p>	
	<p><b>Officers</b></p>	<p>Luci Mould and Andrew Benson</p>	
<p><b>Controls</b></p>	<p>Respond to the government’s consultation as it develops, and as additional rounds of consultation are issued.</p> <p>To continue to pursue the delivery of affordable housing as detailed in the Council’s housing strategy.</p>		
<p><b>Mitigating actions/progress</b></p>	<p>In May 2022 the Queen’s Speech announced new proposed reforms to the planning system, as part of a Levelling Up and Regeneration Bill. The Bill is currently at the committee stage in the House of Commons.</p> <p>The Bill has not taken forward a number of measures set out in the previous Planning for the Future White Paper.</p> <p>The key highlights of these proposed reforms include:</p> <ul style="list-style-type: none"> <li>• A new development plan system will be introduced at the local level. This may result in changes to the setting of local plans by local authorities.</li> <li>• The Local Planning Authorities (LPAs) being required to make all planning decisions in accordance with their development plan (and any national development management policies) unless material considerations strongly indicate otherwise.</li> <li>• A proposal to introduce street referenda on developments. These 'street votes' are intended to provide residents with the power to set their own development rules in suburban areas. As written, 20% of residents or around 10 homeowners, whichever figure is higher, could ask their local council to hold a referendum on a design code for their street.</li> <li>• The introduction of a new infrastructure levy to be implemented by English local authorities to replace the Community Infrastructure Levy (CIL) and most developer contributions to local infrastructure and affordable housing via 'section 106 agreements. It is currently unclear whether this levy will be nationally or locally set.</li> <li>• Amendments to provisions for neighbourhood planning by listing the policies and requirements that a neighbourhood plan may include with neighbourhood development orders being prohibited from preventing housing development proposed in the area’s development plan.</li> <li>• The document-based planning system currently in effect would move to a digital one. This is intended to improve the speed and efficiency of</li> </ul>		

<b>SR11</b>		<b>Planning system reform</b>		<b>AMBER</b>
		<p>application decisions and allow residents to be more engaged in the development of their local area.</p> <p>The Bill is still at an early legislative stage. The implications arising will be closely monitored and any action taken as necessary. As the Bill progresses through Parliament it may require an amendment to the current risk description to fully capture the emerging potential impacts.</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		21 July 2022		

SR12		Climate change impact		AMBER
<b>Description</b>		<p>It is widely recognised that the Earth's climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted.</p> <p>In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllrs Lewanski and Brunt	
		<b>Officers</b>	Cath Rose, Frank Etheridge, Andrew Benson	
<b>Controls</b>		<p>The Council's multi-agency adverse weather emergency plan as well as service level business continuity plans.</p> <p>Partnership work with Surrey County Council and the Environment Agency to mitigate flooding in local developments.</p> <p>The creation of an internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy.</p> <p>Supplementary planning document detailing climate change and sustainable construction for new developments in the borough. Consideration of climate change impacts requirements under the new local plan.</p>		
<b>Mitigating actions/progress</b>		<p>The Council continues to actively implement measures to reduce the impact of extreme weather on local developments. For example the installation of swales at Merstham Recreational Ground to improve drainage capacity. Further activity is taking place in the north of the borough to reduce the impact from flooding and other extreme weather events, with the Council actively engaging in local flood action groups.</p> <p>The Council has recently introduced a Household Emergency Plan, which details what activities households can take to minimise impact from flooding or other extreme weather events. The plan will shortly be published on the Council's website.</p> <p>The Council's emergency planning team continues to proactively engage at the Surrey Local Resilience Forum for preparing for and responding to extreme weather events.</p> <p>The heatwaves experienced in July 2022 required the Council to implement measures to safeguard business continuity and staff welfare. This included issuing staff working outside with sunscreen, hats and water as well as altering refuse collection times to avoid staff working in the hottest part of the day. Service delivery continued despite the heatwave's impacts.</p>		
<b>Score</b>	<b>Likelihood</b>	More than likely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Tolerate/Treat		
<b>Last update</b>		27 July 2022		

# Reigate and Banstead Borough Council Audit Committee Work Programme



Published:

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>6 December 2022</b>								
<i>Pat Main, Interim Head of Finance, Jacqueline Aboagye, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance and Governance  Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance  Interim Head of Finance	<b>Treasury Management Strategy Mid-Year Report 2022/23</b>  To consider the Treasury Management Mid-Year Report 2022/23.		17 Nov 2022	1 Dec 2022	Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit - Q2 2022/23 progress report</b>  To receive the Q2 2022/23 internal audit progress report.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Risk management - Q2 2022/23</b>  To receive an update on Q2 2022/23 risk management.		15 Dec 2022		Open	

Agenda Item 7

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Alex Vine, Democratic and Electoral Services Manager</i>	Portfolio Holder for Corporate Policy and Resources	Commercial and Investment Director	<b>Update of the Code of Corporate Governance</b>  To adopt the updated Code of Corporate Governance				Open	
<b>14 March 2023</b>								
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Risk management - Q3 2022/23</b>  To receive an update on Q3 2022/23 risk management		24 Mar 2022		Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Strategic risks - 2023/24</b>  To approve the strategic risks for 2023/24		24 Mar 2022		Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit - Q3 2022/23 progress report</b>  To receive the Q3 2022/23 internal audit progress report.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit plan and Charter - 2023/24</b>  To receive the internal audit plan and Charter for 2023/24				Open	
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Treasury Management Strategy 2023/24</b>  To consider the Treasury Management Strategy 2023/24.		23 Mar 2023	30 Mar 2023	Open	
<i>Liane Dell,</i>	Portfolio Holder	Head of Legal	<b>Audit Committee Annual</b>				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Democratic Services Officer</i>	for Corporate Policy and Resources	and Governance	<b>Report 2022/23</b>  To consider the Audit Committee's Annual Report and forward Work Programme for 2023/24.					
<b>June 2023 - note other items will be added to this meeting</b>								
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Draft Annual Governance Statement 2022/23</b>  To review the Draft Annual Governance Statement 2022/23.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit - 2022/23 annual report and opinion</b>  To receive the annual internal audit report and opinion.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Risk management - Q4 2022/23</b>  To receive an update on risk management in Q4 2022/23		22 Jun 2023		Open	
<b>Meeting date TBC for 2020/21 reports</b>								
<i>Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Final Annual Governance Statement 2020/21</b>  To consider the Final Annual Governance Statement 2020/21				Open	
<i>Pat Main, Interim Head of Finance,</i>	Deputy Leader and Portfolio	Interim Head of Finance	<b>External Auditor Report (ISA 260) 2020/21</b>				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Nicola Pettett, Group Accountant</i>	Holder for Finance and Governance		This report, from the Council's external auditors, summarises conclusions and significant issues arising from the audit of the 2020/21 Annual Financial Report.					
<i>Pat Main, Interim Head of Finance, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Statement of Accounts 2020/21</b>  To consider the Audited Statement of Accounts 2020/21.				Open	
<b>Meeting Date TBC for 2021/22 reports</b>								
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Final Annual Governance Statement 2021/22</b>  To consider the Final Annual Governance Statement 2021/22.				Open	
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>External Auditor Report (ISA 260) 2021/22</b>  This report, from the Council's external auditors, summarises conclusions and significant issues arising from the audit of the 2021/22 Annual Financial Report.				Open	
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head</i>	Deputy Leader and Portfolio Holder for Finance and	Interim Head of Finance	<b>Statement of Accounts 2021/22</b>  To consider the audited				Open	



Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>of Finance</i>	Governance		Statement of Accounts 2021/22					
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>External Audit plan 2021/22</b> To note the External Audit Plan for 2021/22				Open	

**Contact:** Democratic Services **Email:** [democratic@reigate-banstead.gov.uk](mailto:democratic@reigate-banstead.gov.uk) **Telephone:** 01737 276812  
Address: Town Hall, Castlefield Road, Reigate, Surrey RH2 0SH

This page is intentionally left blank

Action Tracker – Audit Committee 2022/23

Meeting 2022/23	Subject and Request	Action	Who	Status	Response
14 June 2022	Item 6 - Risk management - Quarter 4 2021/22 (Minute 1)	<p><b>The amalgamation of SR5 and SR6</b> – Concern was raised about amalgamating SR5 and SR6 together in the 22/23 municipal year to become SR4.</p> <p>Officers agreed to pass this feedback on to the Executive at its next meeting.</p>	Request to officers	Complete	<p>The concern of the Audit Committee was presented to the Executive at its meeting on 23<sup>rd</sup> June. It was agreed that the matter would be reviewed as part of Q1 reporting.</p>
14 June 2022	Item 6 - Risk management - Quarter 4 2021/22 (Minute 1)	<p><b>Housing types</b> – A request was made for a written response detailing the definitions of the different housing types.</p>	Request to officers	Complete	<p>The Government's definition is that affordable housing should cost no more than 80% of the average local market rent.</p> <p><a href="https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary">https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary</a></p> <p>Social housing is provided by housing associations and some local authorities.</p>
14 June 2022	Item 6 - Risk management - Quarter 4 2021/22 (Minute 1)	<p><b>SR4 – Organisational Capacity and Culture - SR4</b> – Members asked whether the is the Great People programme is now being followed? If so, perhaps the first control should be updated?</p>	Request to officers	Complete	<p>This has been noted and the risk register will be updated in Q1 reporting.</p>

Meeting 2022/23	Subject and Request	Action	Who	Status	Response
14 June 2022	Item 6 - Risk management - Quarter 4 2021/22 (Minute 1)	<b>SR7 - Cyber Security</b> – It was requested that a verbal update on progress of new ICT strategy be given to a future meeting of the Committee.	Request to officers	In progress	This will be provided as part of the planned Audit Committee member briefing on strategic risks.
14 June 2022	Item 6 - Risk management - Quarter 4 2021/22 (Minute 1)	<b>OR6 – Disaster Recovery (Exempt)</b> – A member requested an update regarding IT disaster recovery.	Request to officers	Complete	Procurement of the disaster recovery solution is underway and implementation is currently expected by November 2022.
14 June 2022	Item 8 - Internal audit - 2021/22 annual report and opinion (Minute 8)	<b>Review of the Environmental Health and Licencing Service</b> – A Member raised a question regarding the independent review of the Environmental Health and Licencing Service in October 2018 which reported that <i>“there are few performance indicators in the business plans and can result in a lack of clear focus on priorities”</i> and SIAP’s subsequent audit report that stated that <i>“No action plans are currently in place to address this.”</i>  The Projects and Performance Team Leader agreed to seek a written response from the relevant manager and Head of Service.	Request to officers	Complete	Written response circulated to Audit Committee Members on 9 August 2022.
14 June 2022	Item 9 - Draft Annual Governance Statement 2021/22 (minute 9)	<b>Organisational Development</b> – It was questioned whether the reference to Organisational Development should instead reference Great People?	Request to officers	Complete	During 2019/20 Employment Committee endorsed a recommendation that in future the Council’s Organisation Development (OD) Strategy would in future be promoted as the ‘Great People Strategy’, being a term that is potentially

Meeting 2022/23	Subject and Request	Action	Who	Status	Response
					more meaningful for Members, staff and managers (who won't always be aware what 'OD' means). Officers will ensure that this is referenced consistently in future reports.

This page is intentionally left blank