

# Corporate Audit Committee

**Date: Wednesday, 7th February, 2024**

**Time: 4.00 pm**

**Venue: Kaposvar Room - Guildhall, Bath**

## Agenda

**To: All Members of the Corporate Audit Committee**

Councillors: David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.



**Enfys Hughes**

**Democratic Services**

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 39 4435

Web-site - <http://www.bathnes.gov.uk>

E-mail: [Democratic\\_Services@bathnes.gov.uk](mailto:Democratic_Services@bathnes.gov.uk)

NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the Guildhall - Bath.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

**Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.**

Further details of the scheme can be found at:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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Additional information and Protocols and procedures relating to meetings

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## Corporate Audit Committee-Wednesday, 7th February, 2024

at 4.00 pm in the Kaposvar Room - Guildhall, Bath

### A G E N D A

#### 1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 5.

#### 2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

#### 3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

- (a) The agenda item number in which they have an interest to declare.
- (b) The nature of their interest.
- (c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**,  
(as defined in Part 4.4 Appendix B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

#### 4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

#### 5. ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

#### 6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

#### 7. MINUTES - 1ST NOVEMBER 2023 (Pages 7 - 14)

#### 8. MINUTES - 22ND NOVEMBER 2023 (Pages 15 - 20)

#### 9. INTERNAL AUDIT PLAN CONSULTATION 2024/25 (Pages 21 - 32)

#### 10. TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25 (Pages 33 - 64)

#### 11. RISK MANAGEMENT - UPDATE & OVERVIEW OF ARRANGEMENTS (Pages 65 - 88)

12. DRAFT WORKPLAN (Pages 89 - 92)

The Committee Administrator for this meeting is Enfys Hughes who can be contacted on 01225 394410.

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 1st November, 2023, 4.00 pm

**Councillors:** David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

**Independent Member:** John Barker

**Officers in attendance:** Enfys Hughes (Democratic Services Officer), Jeff Wring (Director - One West), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management), Jamie Whittard (Corporate Finance Manager) and Andy Cox (Head of Audit and Assurance (One West)), Tariq Rahman (Head of Audit & Assurance – IT)

**Guests in attendance:** Beth Bowers (Grant Thornton)

**14 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer drew attention to the Emergency Evacuation Procedure.

**15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none.

**16 DECLARATIONS OF INTEREST**

There were none.

**17 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**18 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS**

There were none.

**19 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**20 MINUTES - 15TH MARCH 2023 AND 5TH JULY 2023**

**RESOLVED** that the minutes of the meetings on 15<sup>th</sup> March and 5<sup>th</sup> July 2023 be confirmed as a correct record and signed by the Chair.

**21 BRIEFING PRESENTATION - ACCOUNTS 2022/23 (NO PAPERS) 4PM - 4.45PM**

The Head of Financial Management gave a presentation on the draft Accounts for 2022/23 assisted by the Corporate Finance Manager and the Head of Audit & Assurance.

The presentation gave a brief overview of the key components. The Narrative Report was the executive summary to assist the reader with details of financial and non-financial performance and looked forward and backward.

The Comprehensive Income and Expenditure Statement (CIES) summarised the resources generated and consumed in providing services and managing the Council during the year.

The Movement in Reserves Statement showed the movement in different reserves held by the authority, both usable and unusable.

The Balance Sheet showed the assets and liabilities as a whole as at 31<sup>st</sup> March.

The Cash Flow Statement summarised the inflow and outflows of cash from external transactions for capital and revenue and reconciled with the cash and cash equivalents figure in the Balance Sheet.

The Collection Fund showed transactions in relation to tax payers of Council Tax and Business Rates and its distribution to preceptors.

The Group Accounts helped reflect the overall picture of Council activities including its Group entities.

The Annual Governance Statement (AGS) is a management statement and describes the Council's governance arrangements. It is signed by the Council's Chief Executive and Leader of the Council. It includes 'significant' reportable issues and for the 2022/23 financial year these were recorded as: 1. Financial Challenge (inflationary pressures), 2. Children Services increase in service demand and costs. A Local Code of Corporate Governance has been adopted by the Council and this helps carry out the governance review resulting in the AGS. The Local Code is to be reviewed and updated during this financial year and would be presented to the Committee in 2024.

The Head of Financial Management informed the meeting that the audit was still in progress with Beth Bowers (Grant Thornton) present to give an update later on the agenda. He was not currently aware of any material changes required to the accounts. The accounts and external audit findings report should come to Committee on 22<sup>nd</sup> November 2023 for approval.

During questions the following points arose:

- The delay with the audit (Councillor George Leach) was as a result of the local audit market not being in the best state, capacity issues for the External Auditor Grant Thornton, the scope and level of work had increased by 50%, regulation had upped expectations. There had also been an impact from the pandemic and working from home.

- In respect of the DSG safety valve payment (Councillor Lucy Hodge) it was explained there was significant pressure on SEND and care plans in the authority causing the overspend and the deficit on the Dedicated School Grant (DSG).
- The DSG (Councillor David Biddleston) safety valve recovery plan would be revisited as a result.
- With reference to national press reports on fraudulent payments during Covid (John Barker), it was explained in the national context that this was Covid loans to businesses. BANES support was grant funding to small businesses and Internal Audit work carried out did not identify any significant fraudulent activity. The Section 151 Officer confirmed that BANES had passed all the assurance tests and there was no recovery of funds for BANES.
- In relation to the purchase of the Old Bath Post Office (Councillor David Biddleston), It was planned for the Fashion Museum funded through WECA RIF grant linked to generating economic benefits as part of the Milsom Quarter Master Plan.
- The negative reserve if it is unusable was it based on statement requirements (Councillor Malcom Treby). It was explained that unusable reserves are established for specific accounting purposes so that these technical accounting adjustments don't impact on service provision or the taxpayer.

**RESOLVED** that the presentation on the accounts be noted.

## **22 COUNCIL COMPANY AEQUUS (ADL, ACL & AGHL) ANNUAL ACCOUNTS 2022/23**

The Managing Director of Aequus Tim Richens introduced the report. He explained that Aequus Group Holding Limited (AGHL) was the holding company and Aequus Development Limited (ADL) holds the 51 residential rental units. It was the smaller company with profit before taxation of £217k for the year as there was a strong demand for rental property. Aequus Construction Limited (ACL) delivered new housing, both affordable and private. He outlined some of the different projects along with the profit made on the developments. The accounts had been audited by Bishop Fleming and approved by the Board and the Shareholder on behalf of the Council. They are for noting by the Committee as it is a Council owned company.

He stated that the company was working with South Gloucestershire local authority (LA) on housing projects there and hoped to work with North Somerset in the future. He explained that South Gloucestershire did not have the time to set up a company, whereas BANES had the skills and experience. They get the housing they want and a share of the profits.

During discussion the follows questions were answered:

- Levels of profit (Councillor Malcom Treby), it was explained that the levels varied year on year and it was hoped with the partnerships with other LAs there would be a more sustained profit level.
- Sustainability (Councillor Sam Ross), there were lots of measures in place low energy EPCA. In Frenchay they had the lowest level of air tightness ever recorded by VISTRY. Refurbishments were harder in terms of sustainability due to working with planning and listed buildings.

- Repurposing commercial units into housing (John Barker), this helped the Council bring back empty property into residential usage so there was an economic benefit, along with a huge demand for rental properties.
- £1.169m revenue (Councillor Lucy Hodge), this was the dividend paid to the Council related to financial returns from 2020/21 and 2021/22.
- Tim Richens explained that there was a push to change the way developers think, not just for maximum profit but having the type of properties that were needed and being sustainable.

Aequus Group Holdings received the dividends and passed them to the Council. It was the smaller company with minimal accounts. In respect of the board of directors and what they are paid in terms of transparency, it was explained that the remuneration policy had been approved by the Council as shareholder and was reviewed every 2 years. The company provided all the information that was required of them.

During further questions the following points were raised:

- Risk assessments (Councillor Sam Ross) were shared with the board and it was for the Council to discuss with their officers.
- Jeff Wring explained that these were standardised report templates to each Committee.
- Previous accounts 2019-2020 (Councillor Lucy Hodge) were more detailed, this would be raised by the Section 151 Officer. It could be down to a change in auditors.

**RESOLVED** that in line with Corporate Audit Committee's terms of reference, the audited accounts of ADL, ACL & AGHL (Council wholly owned companies) be noted.

## 23 EXTERNAL AUDIT - UPDATE

Beth Bowers (Grant Thornton) presented the report. She explained there were two parts the audit plan for the Avon Pension Fund and audit for the VFM Assessment for B&NES. Some information was out of date and referred back to March 2023. In respect of the pension fund she outlined the 3 risks of weakness on page 96, valuation of level 3 investments was specific to BANES and incurred more detailed work. She discussed materiality, performance materiality and triviality.

The following points were raised during questions:

- Accuracy on investments (Councillor Malcolm Treby) there was no provision in the Code for VFM of the pension fund. It was explained that the Avon Pension Fund had its own Committee and Investment Panel and governance was its responsibility.
- Higher level of materiality (Councillor Lucy Hodge) was due to alignment with private sector pension funds which operate in a similar manner.

Beth Bowers went on to discuss VFM, the draft report would be shared with management in the next few days. There were two key risks of significant VFM weakness that were being assessed – Council governance arrangements and how it makes informed decisions for its companies and securing financial sustainability for



the dedicated schools grant. She said it was key to note that VFM covered two financial periods (2021/22 and 2022/23).

The following points were raised during questions:

- Looking forward to the VFM report (Councillor Lucy Hodge) the recommendations would relate to one of the two financial periods and identify where improvements were needed.
- There were changes in the way the code 2020 onwards and a commentary was needed across the key areas, delivery and governance and the three Es.

Beth Bowers reported that the two audits of the 2022/23 accounts were well progressed. The Pension Fund was completed and the Council should be concluded this week and no material adjustments had been identified so far. She thanked the BANES Finance team for their work and contributions. The audit findings report would be considered by Committee on 22<sup>nd</sup> November 2023.

**RESOLVED** to note the 2022/23 External Audit Plan for the Avon Pension Fund (Appendix 1) and VFM Assessment for B&NES (Appendix 2).

## **24 TREASURY MANAGEMENT PERFORMANCE REPORT TO 30TH SEPTEMBER 2023**

The Head of Financial Management presented the report and explained it would go to the Cabinet meeting next week and full Council at the end of the month in line with the CIPFA code of practice.

He explained the key aspects in respect of investments:

- Investment performance – average rate of interest earned was 4.64%, 0.09% below the benchmark rate (4.73%). Returns in September exceeded the benchmark for the first time in recent months as previous investments fixed at lower rates dropped out.
- The average return has continued to increase during the year from around 4% in April to just above 5% in September, as the Bank of England interest rate rises continue to feed through to our investments. The tables in Appendix 3 show the monthly rates earned with a comparison to the previous year.
- Paragraph 3.13 provides the split of returns between short-term investments which averaged 4.7% for the period and the long-term Strategic Investments which averaged 4.4%.
- Paragraph 3.12 updates on the continued impact on the value of the Council's strategic long-term investments, which have reduced by £740k since the start of the year. This is due to the current economic environment of persistent inflation and high interest rates impacting on the value of equity, bonds and property. We expect the values to stabilise and start to recover once there is more certainty that the peak in interest rates has been reached.
- Appendix 2 highlights that the average investment balance over the first 6 months was £54 million which is in line with the balance as at the end of September. The Appendix also provides further information on the make-up of the investment balances in terms of where they were invested and the credit rating of the investments. The majority of short-term investment

continues to be held with Money Market Funds for liquidity and diversification and we have increased investment with the government's Debt Management Deposit Facility during the period.

- The increased interest performance has resulted in additional interest income over budget of £300k.

#### Borrowing:

- The position on borrowing is covered in the section starting at paragraph 3.6. Borrowing at the end of the first 6 months was £218m an increase of around £8m from the start of the year reflecting £10m of short-term loans taken out in April to cover the annual pension prepayment and £2m of scheduled principal repayments in respect of the Annuity Public Works Loan Board loans. Full details of the Borrowing portfolio at year end is provided in Appendix 4.
- Paragraph 3.17 refers to the £20m Lender Option Borrower Option loans where the risk of the lender increasing the rate were highlighted at last committee. Although outside the time frame of this report, an update was given that the lender of £10m of these loans did propose a rate increase from 4.5% to 5.88% last week which was above equivalent PWLB loan rates for similar loans. The Council exercised its option to repay the loan and will continue to monitor market rates and cashflow balances before taking out replacement borrowing. The rate of the remaining £10m was not increased and the next option for the lender is now next April.
- Borrowing interest costs are forecast to be £800k lower than budget as result of the delayed borrowing required to fund the capital programme.

It was confirmed that all the Treasury Management Indicators reported in Appendix 1 were within approved limits. The Economic & Market Review in Appendix 5 highlights that inflation remained persistently high over the period, although recent data published was lower than expected and this was followed by the Bank of England deciding to keep interest rates on hold at 5.25% in September.

Our treasury advisors revised its forecast to reflect the central view that 5.25% will now be the peak in Base Rate, with short term risks to the upside if inflation increases again, but over the longer term they are predicting rate cuts from the third quarter of 2024 to a low of around 3% by mid 2026.

Gilt prices & PWLB rates remained volatile over the period, The rate of a 20-year annuity loan from the PWLB was 5.3% at the end of September, with current rates around 5.4%.

The Council continues to closely monitor its cash position and any potential need to borrow and liaise with our treasury advisors to discuss the timing, duration of any future borrowing should the need arise.

#### **RESOLVED**

- 1) to note the Treasury Management Report to 30th September 2023, prepared in accordance with the CIPFA Treasury Code of Practice; and
- 2) to note the Treasury Management Indicators to 30th September 2023.

## 25 INTERNAL AUDIT - UPDATE REPORT (PLANNED WORK 2023/24)

The Head of Audit and Assurance presented the report and reminded Members that the Internal Audit Plan had been presented to the Committee on 15<sup>th</sup> March 2023. The purpose of the report is to inform on the completed planned work, provide information on any audits reviews which had resulted in a limited or weak assurance rating being assigned, and to inform Members of proposed changes to the Audit Plan based on staff resources available and unplanned work being carried out.

Appendix 1 records the position at 30<sup>th</sup> September 2023 on the 35 planned audit reviews. Six reviews were at final or draft report stage and eleven were work in progress. All audit reports issued relating to the 2023/24 Audit Plan were assigned assurance level 3 or 4 (reasonable or substantial assurance). Within the first half of the year audit reports related to reviews associated with the audit plan for 2022-2023 had been finalised.

Tariq Rahman (Head of Audit and Assurance – IT) who manages IT audit reviews reported there were 2 IT related audit reports where the auditor provided a limited assurance opinion.

Software Asset Management (SAM) there was a lack of documented software policy which is necessary to provide a framework of internal control. There was no complete central register maintained by Council IT Services. 6 weaknesses were reported in the Action Plan and management had agreed to implement all the recommendations. Implementation of recommended actions would be followed up.

For the IT user, education and awareness audit report, this related to cyber security risk, 5 areas of identified weakness had been assessed as high risk. Senior leaders were not promoting cyber security training and there was no process to ensure e-learning was updated. All findings / weaknesses had been accepted and related recommendations agreed by management.

Following the detailed update on audit reports with a limited assurance level, The Head of Audit and Assurance (Andy Cox) explained about other work carried out by the Internal Audit Team including significant work on grant certification where funding had been received by the Council. 29 certification letters had been issued. There was also work on anti-fraud and corruption, specifically the co-ordination on carrying out the National Fraud Initiative which is a data matching exercise organised by the Government's Cabinet Office.

7 audit reports had been 'followed-up' as recorded in appendix 2 of the report to Committee. Only 1 recorded an amber assessment, the audit review of 'In-year budget management', as 5 of the 6 audit recommendations were still to be fully implemented. Assurances were received by management in terms of implementation and the auditor was of the opinion it was reasonable to close down any further monitoring of action implementation by Internal Audit.

In respect of the Audit Plan 2023/24, based on changes in the resources available the number of audits would be reduced. 4 audit reviews will be carried forward to 2024/25. Another would merge 2 proposals. Further adjustment to the planned audit work might be necessary.

**RESOLVED** to note the progress in delivery of the 2023/24 Annual Audit Assurance Plan and approves the proposed amendment to the Audit Plan 2023/24.

**26 AUDIT COMMITTEE - DRAFT WORKPLAN**

The Director – One West explained that the draft workplan was an opportunity to reflect and consider any informal sessions the Committee may like. He asked that Members contact him directly with any issues and concluded that the workplan would be a dynamic document.

During discussion the following issues were raised:

- Risk strategies and sustainability on the green agenda
- Work on revamping the local audit regime, officers would wait to see what is published
- Anti-fraud initiative

**RESOLVED** to note the workplan.

The meeting ended at 6.20 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 22nd November, 2023, 4.00 pm

**Councillors:** David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

**Independent Member:** John Barker

**Officers in attendance:** Enfys Hughes (Democratic Services Officer), Jeff Wring (Director - One West), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management), Jamie Whittard (Corporate Finance Manager), Andy Cox (Head of Audit and Assurance (One West)) and Giles Oliver (Finance Manager - Project Finance)

**Guests in attendance:** Jon Roberts and Beth Bowers (Grant Thornton External Auditors)

**27 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the emergency evacuation procedure.

**28 ELECTION OF VICE-CHAIR**

None was needed.

**29 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none.

**30 DECLARATIONS OF INTEREST**

There were none.

**31 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**32 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS**

There were none.

**33 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**34 AUDIT FINDINGS REPORT FOR COUNCIL & AVON PENSION FUND, AND AUDITED STATEMENT OF ACCOUNTS 2022/23**

Jon Roberts and Beth Bowers (Grant Thornton External Auditors) presented the reports. Jon Roberts stated that both the audit findings for the Council and for the Avon Pension Fund (APF) complied with the auditing standards and governance was

part of the Corporate Audit Committee role. He went on to explain that the report gave an indication of the status of the audit which was nearly complete and outstanding work was small compared to other Councils. The audit opinion for the Council was unqualified and for VFM there was one key recommendation in relation to an identified significant weakness. The audit had additional powers and duties which could be implemented in respect of the public interest but these were not needed. The final opinion on the accounts would be given in the next few days.

### Council Audit

Beth Bowers made the following points in respect of the Council Audit:

- Property, Plant & equipment and valuation were still an outstanding query;
- the materiality threshold on page 17 had not changed;
- on pages 18-21 there were no significant risk findings that would lead to an unqualified opinion;
- on page 22 there were no issues found as part of the group audit;
- there was one weakness on VFM and the next item on the agenda would go into more detail;
- the Council was below the National Audit Office threshold so it's Whole of Government Accounts (WGA) return does not need to be audited;
- in respect of Independence and Ethics, Beth Bowers declared an interest which members of the audit team had been consulted on and had approved her continuance. Her mother had a new job and had been admitted to the APF. She was not working in a financial capacity but as a chaplain at a university. She and her mother were financially independent of each other. She confirmed she remained independent and would declare this as a future issue. Members all agreed they were happy to proceed on this basis;
- the appendices referred to the action plan, recommendations to management and follow up on the recommendations in the previous period;
- there were no adjusted misstatements impacting on the primary statements for the year ending 31 March 2023;
- there were a few additional fees for audit services which had been raised with management and which would be submitted to the PSAA (Public Sector Audit Appointments) for approval.

During Members' questions the following answers were given:

- Councillor Lucy Hodge - the significant weaknesses on VFM had previously been identified as the DSG and governance, it was reported that governance had been assessed and was not deemed a significant weakness;
- Councillor Sam Ross - it was confirmed that outstanding queries would be completed very shortly and was a small area of work. The report sought delegated authority to approve the audit subject to any small adjustments. Anything significant would be reported back to the Committee. The Head of Financial Management had circulated amended recommendations to the Committee prior to the meeting;
- Councillor Sam Ross – page 43 in respect of the cashflow statement was confirmed to be £ millions which was a presentational adjustment;
- Councillor Sam Ross – page 45 referred to £2.225 million and it was explained that materiality was high for an organisation the size of BANES.

The Section 151 Officer stated that BANES property assets were around £500 million to give a context;

- Councillor Malcolm Treby – page 47 the fees for the audit stated under non-audit services were in relation to certification for grant claims and had to be treated like this;
- Councillor Malcolm Treby – page 46 equal pay fees – Further work was required in light of issues at other Council's including Birmingham City Council where the financial impact was significant. It was confirmed that officers had processes in place for this and it was a good use of auditors time;
- Councillor David Biddleston – in respect of getting clarity on the external audit at an earlier stage, it was explained that there would always be some queries at the end of a complex audit like this, these had to be assessed relating to risk;
- the external auditors had a 'lessons learned' review at the end of each year;
- it was acknowledged that the report was a large amount to read `but if the report was circulated to members earlier there would be more incomplete work.

#### Avon Pension Fund (APF) Audit

Jon Roberts stated the plan was to give an unqualified opinion. There had been a small number of outstanding items on page 59 which were now all complete. There were two materiality thresholds for the APF (page 60) which related to contributions and benefits for members. Significant risks were set out on pages 61-62 and key judgements and estimates were on pages 63-65. It was a going concern with no issues. In respect of Independence and Ethics the same issue was declared relating to Beth Bowers' mother. The appendices at page 81 outlined the estimation difference identified in the valuation of level 3 investments.

During Members' questions the following answers were given:

- Councillor Sam Ross – the consistency opinion on page 57 was another responsibility for the APF and the majority of the work was complete and management were responsive to the amendments;
- Councillor Sam Ross – page 76 referred to individual names and it was confirmed that it was more appropriate to use job titles/roles;
- Councillor Sam Ross page 80 how to avoid significant differences in the future – as custodians of the APF it was a manual task to go through reconciliation checks and, in context, was not as large with assets of £5 billion;
- John Barker (Independent Member) – estimation differences depended on the scenario and what was appropriate, they had to be reported. Work undertaken was based on evidence from the fund managers and they looked at movement in the markets. A similar approach was followed by colleagues who had also noted estimation differences.

On a motion from Councillor Lucy Hodge, seconded by Councillor Sam Ross it was

**RESOLVED**

- 1) To note the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund;
- 2) to approve the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2022/23, subject to, any amendments necessary upon quantification of the impacts of any issues arising from the ongoing work by the external auditors;
- 3) that the Chair of the Corporate Audit Committee and the Chief Finance Officer make arrangements to sign the Statement of Accounts for 2022/2023 as representing a “true and fair view” of the financial position as at 31st March 2023, following any amendments necessary upon quantification of the impact of any issues arising from ongoing work by the external auditors;
- 4) if there are any new and significant issues identified before the accounts are signed-off, if necessary, the Chair would email the Committee for information.

### **35 EXTERNAL AUDIT - ANNUAL REPORT - 2021/22 & 2022/23**

Jon Roberts (Grant Thornton External Auditor) presented the report and explained that the report covered two periods 2021/22 & 2022/23. He stated auditors follow the NAO (National Audit Office) framework which sets out practice and guidance with a narrative, commentary and observations. He explained the hierarchy of findings which included the statutory recommendations - of which there were none; the key recommendations – which included the DSG and its recovery plan under the safety valve programme; and 15 improvement recommendations – that provided a narrative of the opportunities to improve in line with best practice.

In relation to risk assessments, there were two set out and one was upheld – the arrangements for managing the DSG recovery plan - and the other had no significant weakness. It was a positive report and it was hoped that the scrutiny was appreciated.

The following points were made during questions:

- Councillor Lucy Hodge – were links to other Committees were being picked up. In respect of financial sustainability, the Business Change Hub had been reported to scrutiny (page 262);
- further detail would be appreciated in the Reserves table;
- the majority of movement was the Covid reserves which were down, though the Council had protection against unplanned shocks;
- the Section 151 Officer reported that reserve balances were up and some of this related to grants. If grants were not spent then money would be returned to the government;
- the section 25 statement went to all directors for horizon scanning, looking at demand pressures to ensure that enough reserves were held in case of unplanned risk;
- the Head of Financial Management confirmed that £12.5m was the target level of unearmarked reserves, although the year end balance could fluctuate as it includes carry forward of revenue underspends;



- Councillor George Leach – the financial statement audit goes through the reserves in detail;
- Councillor David Biddleston – every year the earmarked reserves are reappraised looking at the long-term and the balance. If not used they can be released;
- Councillor Lucy Hodge – it would be helpful for Members to see the Corporate Risk Register;
- Aequus would be addressing other groups including the political groups and the external auditors would report on progress in the future;
- Councillor Malcolm Treby – in respect of conclusions from any actions that weren't followed up, the recommendations were tracked and there was an option to raise an issue (page 24-25);
- Councillor Malcolm Treby – page 266 management would brief the Committee on the response to the confidential item;
- the Director – One West would report to the Committee regarding contract waivers and why these were needed;
- Councillor David Biddleston – the Committee role was to be a critical friend and there was a recovery plan and safety valve for the DSG. A number of other Councils had the same issue. This period the external auditors had done a 'deep dive' to ensure previous concerns were addressed;
- Councillor Lucy Hodge – governance – the Section 151 Officer stated that there was a Capital Strategy Group who looked at governance, best practice and management of the capital programme.

**RESOLVED** to note the Annual Report including the VFM conclusions and the recommendations arising.

**36 AUDIT COMMITTEE - DRAFT WORKPLAN**

The Director – One West explained that this was a working document and contained more detail since initial drafting. He confirmed the Corporate Risk Register would now be considered by the Committee.

**RESOLVED** to note the 2023/24 workplan for the Committee subject to any proposed amendments.

The meeting ended at 5.30 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	Corporate Audit Committee	
MEETING DATE:	7 <sup>th</sup> February 2024	<b>AGENDA ITEM NUMBER</b>
TITLE:	Internal Audit Plan 2023/24 Update and Consultation on the Development of the Internal Audit Plan 2024/2025	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1 - Audit Reviews Position Statement (Internal Audit Plan 2023/24)</b></p> <p><b>Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment</b></p> <p><b>Appendix 3 – Long List of potential Internal Audit reviews 2024/25</b></p>		

## 1 THE ISSUE

### 1.1 This report:

- 1) provides an update on progress in completing the Internal Audit Plan 2023/24 audit reviews (following the Update Report presented to Committee on 1<sup>st</sup> November 2023).
- 2) informs the Audit Committee on the methodology to be used to compile and maintain the Internal Audit Plan 2024/25.
- 3) asks for Committee Member input on Council activities, areas or themes they would like to be considered for inclusion in the Internal Audit Plan 2024/25.

## 2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the progress in delivery of the ‘core’ audit reviews in 2023/24 Annual Audit Assurance Plan and approves the additional amendments to the Audit Plan 2023/24.
- 2.2 The Corporate Audit Committee is asked to agree to the proposal that the Internal Audit Core Work Plan (list of internal audit reviews) to be presented to the 1st May 2024 Audit Committee; will be subject to ongoing review and updating by the Head of Audit & Assurance; and, reports on the maintenance of the Core Work Plan and audit reviews carried out will be presented at least every six months to the Committee.
- 2.3 The Corporate Audit Committee notes any activity areas or themes that members of the Committee would like to be considered for inclusion in the list of audit

reviews which will form the core work of the Internal Audit function for the financial year 2024/25 onwards.

### 3 THE REPORT

#### 3.1 Internal Audit Plan 2023/24 Update

3.1.1 An update on the work of the Internal Audit Team was provided to the Committee on the 1<sup>st</sup> November 2023. Based on a reported reduction of auditor productive days (as a result of staff changes and difficulties in recruiting suitable candidates) the Committee agreed to proposed amendments to the Audit Plan 2023/24, including the postponement of 5 Audit Reviews as listed:

- i. Climate & Ecological Emergency Response - Performance Monitoring / Reporting.
- ii. Corporate Estate - Planned Maintenance
- iii. Corporate Estate - Energy Management
- iv. Housing Services - Management of Housing Rent & Charges
- v. Payroll (Variations - including mileage & expenses)

3.1.2 Since reporting to Committee in November, there has been a need to further reassess audit reviews to be carried out. Six Audit Reviews have been postponed and four subject areas merged into two audit reviews. **Appendix 1 {Audit Reviews Position Statement (Internal Audit Plan 2023/24)}** records the current position on all audit reviews in the 2023/24 Audit Plan. To summarise the key changes are:

- 1) 23-006B City Regions Sustainable Transport Schemes review has been merged with 23-004B WECA Funded Schemes – Use of Funding within Timescales.
- 2) 23-007B Debt Management – Corporate Policy - postponed to 2024/25
- 3) 23-013B Brokerage Service - postponed to 2024/25
- 4) 23-015B Business Change Hub - postponed to 2024/25
- 5) 23-022B Corporate Estate Energy Management - postponed to 2024/25
- 6) 23-026B Payroll (Variations) - postponed to 2024/25
- 7) 23-027B Climate & Ecological Emergency Response - Performance Monitoring / Reporting - postponed to 2024/25
- 8) 23-035B Corporate Estate - Planned Maintenance merged with 23-033B Property - Corporate & Commercial Estate Property Maintenance

3.1.3 The need to make the changes, summarised in 3.1.2, was not just related to a reduction of Internal Audit resources available, it was also linked to the need to be responsive to carry out ‘other’ (unplanned) work, this included:

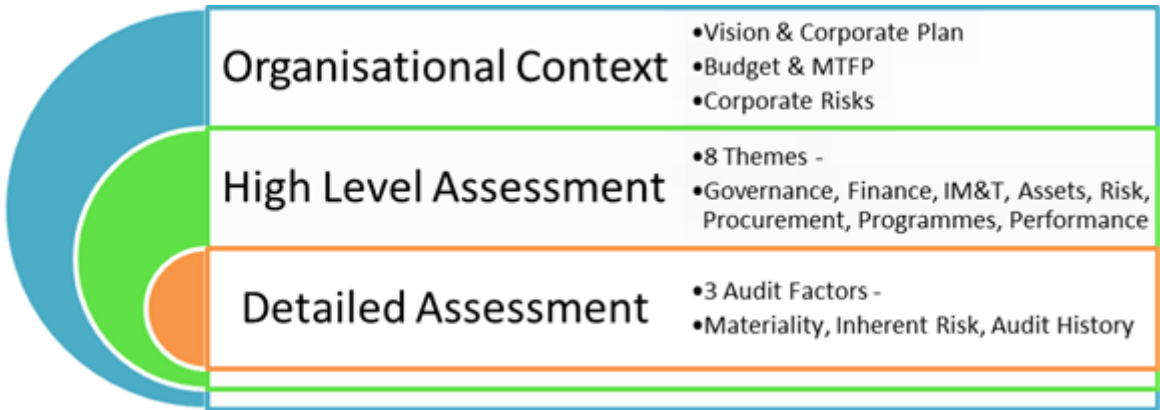
- 1) Assist in an investigation of a fraud case related to Homes for Ukraine.
- 2) Carry out at the request of management audit reviews of:
  - i. Public Health Grant Budget Management.
  - ii. Cash Handling – Adult Social Care Community Resource Centres

3.1.4 The significant changes to planned Internal Audit work over the last 11 months is evidence of the need for the Audit Plan to be flexible and responsive, we are therefore proposing to introduce a more flexible approach to planned audit reviews (see 3.3.1 below).

**3.2 Internal Audit Planning Methodology - Reasonable Assurance Model**

3.2.1 The planning process is based on the fundamental requirement that the Audit Plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework of the Council and provide a ‘reasonable assurance’ opinion at the end of each year. The model we have adopted, and use is the ‘Reasonable Assurance Model’.

3.2.2 The model is outlined in the following diagram with the key element being the high-level assessment of 8 ‘good governance’ themes.



3.2.3 The Principles of the Reasonable Assurance Model are:

- 1) It’s a strategic top-down assessment and the themes cover all Council activity not just finance.

2) Level of assurance should be continually compared to the level of risk and resources should be focussed firstly on areas of activity where assurance is low and risk is high.

3) Risk assessment should be simplified around a small number of key factors.

4) As stated in 3.2.1, the Audit Plan should result in sufficient audit reviews to reach a 'reasonable assurance' opinion.

3.2.4 The Audit Plan will then be developed in 3 key stages:

1) High Level Risk Assessment of Reasonable Assurance Model (RAM) – **8 Themes**



2) Detailed Risk Assessment of auditable areas

3) Consultation & Approval

3.2.5 Stage 1 - Risk Assessment of RAM - The 8 Themes

- Each theme has a set of questions to help assess the level of assurance & risk. Examples of areas of assessment within each theme are recorded in

## **Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment.**

- When assurance (internal / external) and risk has been assessed the results should enable attention to be focussed on the low assurance and / or high-risk areas.
- The assessment of the 8 RAM themes will also be informed through consultation with Council Senior Management, key corporate officers and others (including Corporate Audit Committee members). Individual areas for internal audit review may be identified during the consultation process. The Head of Audit & Assurance will also have a view on areas to be included within the next stage of detailed risk assessment.

### 3.2.6 Stage 2 – Detailed Risk Assessment of Auditable Areas of Activity

The risk assessment of individual discrete areas for audit review uses the following factors:

- 1) Materiality – a score is assigned based on measurables including – annual income, annual expenditure, or significant agreed budgeted savings (linked to budget setting process).
- 2) Inherent Risk – a score based on assessing separate categories of risk:
  - a) Operational Risk (Cash, Stock, dependency on third party)
  - b) Service Continuity / Reputational Risk (impact on reputation if service provision interrupted)
  - c) Technical Risk (Technological reliance - IT Systems)
- 3) Audit History (Time since when last review / Assurance Level assigned at last review / Results of 'Follow-Up' activity)

This assessment process will provide a long list of audit activity which can be placed in order of scored risk.

### 3.2.7 Stage 3 – Consultation & Approval – Audit Plan (*Timetable for 2024/25 Plan*)

- 1) Consultation with S151 Officer – (*January & March 2024*)
- 2) Consultation with Audit Committee – (*February 2024*)
- 3) Consultation with Chief Executive & Chief Operating Officer – (*March 2024*)
- 4) Consultation with Executive Leadership Team – (*April 2024*)
- 5) Formal approval by Audit Committee – (*May 2024*)

### **3.3 A Flexible Internal Audit Plan and reporting to Committee on performance and changes to the approved Plan**

3.3.1 As stated in 3.1.4, it has been necessary to make amendments to the planned work as approved by the Audit Committee at the beginning of the financial year. Corporate Audit Committee members (current and previous members) have agreed that a flexible Internal Audit Plan of audit reviews was necessary to respond as appropriate to risks and issues.

3.3.2. It is the intention of the Internal Audit Service to continue to present and agree an Internal Audit Plan (list of audit reviews in risk assessed order) at the beginning of each financial year using the reasonable assurance model. However, we will continually risk assess 'areas for review' and monitor available Internal Audit resources / capacity to decide on audit reviews to be prioritised. The Head of Audit and Assurance will report back to the Committee to provide updates on performance and any changes to the approved Internal Audit Plan.

### **3.4 Internal Audit Plan 2024/25 Consultation & Input – Audit Committee**

3.4.1 The Audit Committee is a key stakeholder and have responsibility for approving the Internal Audit Plan. The purpose of this report is to obtain Committee Member views and feedback on areas which should be considered during the planning process for potential inclusion in the Internal Audit Plan to be submitted to this Committee at its next meeting (1<sup>st</sup> May 2024).

3.4.2 The Chartered Institute of Internal Auditors has published a report ('Risk in Focus 2024') which highlights organisational significant risks for 2024 which should be considered when preparing audit plans. Areas particularly relevant to the public sector are detailed below:

- Cybersecurity and data security
- Human capital, diversity and talent management
- Macroeconomic and geopolitical uncertainty
- Climate change and environmental sustainability
- Business continuity, crisis management and disasters response
- Financial risk
- Organisational governance and corporate reporting
- Fraud and bribery

3.4.3 Based on the consultation to-date with Statutory Officers, Directors, Heads of Service and 'Key' Corporate Officers a 'long list' of potential areas for review is being compiled. Once the consultation has been completed the long list of audit reviews will be subject to a risk assessment and sorted so a short list can then be reconciled to audit resources. Appendix 3 records a developing long list of potential audit reviews for 2024/25. Key areas for consideration specific to B&NES Council would include:

- Financial Resilience – continuing financial pressures.



- HCRG – Transfer of Services back to the Council.
- Designated Schools Grant – Safety Valve Delivery Plan.
- Combined Authority Funding
- Partnership Working – relationship with Integrated Care Board
- Being Our Best Programme
- Climate & Ecological Emergency Action Plan – Development / Monitoring
- Cyber Security

3.4.4 It should be noted that in addition to compiling a list of ‘core audit reviews’, Internal Audit will continue to:

- Provide support to the corporate governance framework within the Council including completing the Annual Governance review work required to publish the Council’s Annual Governance Statement;
- Provide support to assess the Council’s risk management framework;
- Carry out the Co-ordination and Investigation roles to complete the work required through the Cabinet Office Data Matching ‘National Fraud Initiative’;
- Provide advice on systems of internal control including Council policies and procedures. This is particularly important when systems and processes are being developed or changed;
- Provide ‘independent’ examination of financial records to provide assurance to external funding bodies, e.g. West of England Combined Authority, that grants are being used in compliance with Terms and Conditions;
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require Audit staff to take on the Investigating Officer role in compliance with the Council’s disciplinary procedures.

## **4 STATUTORY CONSIDERATIONS**

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 There are no direct resource implications relevant to this report.

**6 RISK MANAGEMENT**

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management..
- 6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council’s Risk Management and Financial Governance framework is robust and effective.

**7 EQUALITIES**

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

**8 CLIMATE CHANGE**

- 8.1 There are no direct climate change implications related to this report.

**9 OTHER OPTIONS CONSIDERED**

- 9.1 No other options to consider related to this report.

**10 CONSULTATION**

- 10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## Audit Reviews Position Statement (as at 31<sup>st</sup> January 2024)

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
23-001B	Adult Community Services - Governance - Programme Management	Final	4	4	4
23-002B	Children Services - Implementation of Management Plan	Final	3	8	8
23-003B	Workforce - Recruitment & Retention	Final	3	5	5
23-004B	WECA Funded Schemes (CRSTS) - Use of Funding within timescales	WIP			
23-005B	Dedicated Schools Grant Safety Valve Agreement - Delivery Plan	WIP			
23-006B	City Regions Sustainable Transport - Use of funds & performance management (Liveable Neighbourhood Strategy)	Merged with 23-004B			
23-007B	Debt Management - Corporate Policy	Postponed			
23-008B	Home to School Transport - Current and Future Management & Delivery	Final	3	13	8
23-009B	School Theme Review - Schools Financial Value Standard (Maintained Schools)	Final	4	N/A	N/A
23-010B	Planning Enforcement	Final	3	10	10
23-011B	Financial Accounting - Public Health Budget Management	Briefing Report (Draft)	N/A	5	
23-012B	Procurement - Modern Slavery	Final	3	5	5
23-013B	Brokerage Service - Adult Social Care - Scheme of Delegation and Approval of Package of Care / Placements	Replaced by Community Resource Centres Cash Review			
23-014B	Care Leavers - Extended Duties (Statutory Responsibilities)	Final	3	7	7
23-015B	Business Change Hub - Programme & Project Management	Postponed			
23-016B	Procurement - Purchase Card expenditure	Final	3	4	4
23-017B	Avon Pension Fund --Pension Investments Reporting	Final	4	4	4
23-018B	Avon Pension Fund - Scheme of Delegation	WIP			
23-019B	Avon Pension Fund - Pensions Payroll	WIP			
23-020B	Avon Pension Fund - Year End Procedures	WIP			
23-021B	Housing Services - Management of Housing Rent & Charges	To Start			
23-022B	Corporate Estate - Energy Management	Postponed			
23-023B	Deputyship Service	Final	3	10	10
23-024B	GLL Contract Management - Governance	Draft	3	8	8
23-025B	Treasury Management - Funding and Investment Transactions (Bankline)	Draft			
23-026B	Payroll (Variations - including mileage & expenses)	Postponed			
23-027B	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Postponed			
23-028B	User Access Management - Starters, Leavers (Council) and Post Changes	WIP			
23-029B	Firewalls	WIP			
23-030B	Malware and Ransomware	WIP			
23-031B	IT Services Recovery Management	To Start			
23-032B	Corporate Wi-Fi Networks and Smart Devices.	WIP			
23-033B	Corporate & Commercial Estate Property Maintenance	WIP			
23-034B	Foster Care Placement Payments (Unaccompanied asylum-seeking children)	WIP			
23-035B	Corporate Estate - Planned Maintenance	Postponed			

## Reasonable Assurance Methodology Themes / Areas of Assessment

<p><b>Theme 1 – Corporate Governance</b></p> <ul style="list-style-type: none"> <li>• Overall Governance Framework</li> <li>• Ethical Framework</li> <li>• Counter-Fraud Arrangements</li> <li>• Vision &amp; High Level Priorities</li> <li>• Constitution, Structure &amp; Decision Making</li> <li>• Codes of Conduct</li> <li>• Statutory Policy &amp; Budget Framework</li> </ul>	<p><b>Theme 5 – Procurement &amp; Commissioning</b></p> <ul style="list-style-type: none"> <li>• Procurement &amp; Commissioning Framework</li> <li>• Delivery/Category Plans</li> <li>• Contract Standing Orders &amp; Rules</li> <li>• Contact &amp; Commercial Management</li> <li>• Governance &amp; Gateways</li> <li>• Knowledge &amp; Skills</li> <li>• Benefits Realisation &amp; Savings</li> </ul>
<p><b>Theme 2 – Financial Management</b></p> <ul style="list-style-type: none"> <li>• Medium Term Finance &amp; Resource Planning</li> <li>• Annual Budget Setting</li> <li>• Financial Performance – Revenue &amp; Capital</li> <li>• Financial Performance – VFM</li> <li>• Financial Resilience – Reserves</li> <li>• Key Financial Management Systems</li> <li>• Financial Regulations &amp; Rules</li> </ul>	<p><b>Theme 6 – Programme &amp; Project Management</b></p> <ul style="list-style-type: none"> <li>• Transformational Change Programmes</li> <li>• Links to Corporate Vision &amp; Objectives</li> <li>• Major Project Governance</li> <li>• Change Control</li> <li>• Project Reporting</li> <li>• Financial &amp; Risk Management</li> <li>• Benefit Realisation</li> </ul>
<p><b>Theme 3 – Risk Management</b></p> <ul style="list-style-type: none"> <li>• Risk Management Strategy &amp; Framework</li> <li>• Risk Maturity &amp; Appetite</li> <li>• Decision Making</li> <li>• Corporate/Strategic Risks</li> <li>• Major Project Risks</li> <li>• Transformation Risks</li> <li>• HR Risks</li> <li>• Fraud Risks</li> <li>• Safety Risks</li> </ul>	<p><b>Theme 7 – Information Management</b></p> <ul style="list-style-type: none"> <li>• Information Management &amp; Technology Strategy</li> <li>• Standards &amp; Security Requirements</li> <li>• Information Security</li> <li>• Information Compliance</li> <li>• Data Quality, Classification &amp; Integrity</li> <li>• Business Continuity &amp; Disaster Recovery</li> <li>• Transparency</li> </ul>
<p><b>Theme 4 – Performance Management</b></p> <ul style="list-style-type: none"> <li>• Corporate Plan &amp; Corporate Performance</li> <li>• Service Planning &amp; Service Performance</li> <li>• Internal &amp; External Benchmarking</li> <li>• Strategic Performance Reviews &amp; Business Intelligence</li> <li>• Target Setting &amp; Reporting</li> <li>• Customer Feedback &amp; Complaints</li> <li>• Integrated Reporting</li> <li>• Transparency</li> </ul>	<p><b>Theme 8 – Asset Management</b></p> <ul style="list-style-type: none"> <li>• Asset Management Strategy (&amp; Plans)</li> <li>• Safeguarding &amp; Security</li> <li>• Asset Utilisation (&amp; Realisation)</li> <li>• Workforce Planning</li> <li>• HR Framework</li> <li>• Skills &amp; Training Development Programme</li> <li>• Organisational Development &amp; Change</li> </ul>

**Long List of potential Internal Audit reviews 2024/25 (under development)**

	<b>DIRECTOR</b>	<b>AUDIT SUBJECT</b>	<b>REASONABLE ASSURANCE THEME</b>
1	Director of Adult Social Care (DASS)	Learning Disabilities Pooled Budget - Governance	Financial Management
2	Director of Adult Social Care (DASS)	Community Sub contracted Services - Governance (ICB Lead)	Risk Management / Corporate Governance
3	Director of Adult Social Care / Children Services & Education	Brokerage (Adults & Children)	Financial Management
4	Director Children Services & Education	Childrens Delivery Plan	Financial Management
5	Director Place Management	Pixash Household Waste Recycling Centre - Reuse Shop	Financial Management / Asset Management
6	Director Place Management	Fleet Management - Workshop Activity / Trading	Financial Management / Risk Management /
7	Director Place Management	Car Parking - Park & Ride Contract	Financial Management / Procurement & Commissioning
8	Director Place Management	Car Parking - Emissions income charging	Financial Management
9	Director Sustainable Communities	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Risk Management
10	Director Sustainable Communities	Corporate Estate - Energy Management	Financial Management / Procurement & Commissioning
11	Director Sustainable Communities	WECA Funding – Fashion Museum (Project Initiation / Resourcing & Funding)	Financial Management
12	Director Sustainable Communities	Homes for Ukraine – LA Housing Fund Grant (Dept of LUHC)	Financial Management
13	Director Sustainable Communities	Bath Christmas Market	Financial Management
14	Director Sustainable Communities	Temporary Accommodation	Financial Management / Performance Management
15	Director of People & Policy	Being Our Best Programme - Organisational Change Management	Financial Management / Asset Management
16	Chief Finance Officer (S151)	Payroll (Variations - salary award / increment increases / mileage & expenses)	Financial Management
17	Chief Finance Officer (S151)	Business Change Hub	Programme & Project Management
18	Chief Finance Officer (S151)	Debt Management - Corporate Policy	Financial Management
19	Chief Finance Officer (S151)	Payments - Supplier Set-Up & Duplicate Payments	Financial Management
20	Chief Finance Officer (S151)	IT Audits	Information Technology / Governance

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Corporate Audit Committee</b>
MEETING DATE:	<b>7<sup>th</sup> February 2024</b>
TITLE:	<b>Treasury Management Strategy Statement 2024/25</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1 - Treasury Management Strategy 2024/25</b></p> <p><b>Appendix 2 – Authorised Lending List</b></p>	

## 1 THE ISSUE

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.3 Investments held for service or commercial purposes are considered in the Capital and Investment Strategy within the Budget Report which is also included on the agenda for Cabinet & Council for February.

## 2 RECOMMENDATIONS

The Corporate Audit Committee agrees to:

- 2.1 Recommend the actions proposed within the Treasury Management Strategy Statement (**Appendix 1**) to Council.
- 2.2 Note the Treasury Management Indicators detailed in **Appendix 1**.

### 3 THE REPORT

#### Background

- 3.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 3.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare a Treasury Management Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 3.3 The suggested strategy for 2024/25 in respect of the following aspects of the treasury management function is based on the Treasury Officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Arlingclose.

The strategy covers:

•	Treasury limits in force which will limit the treasury risk and activities of the Council;
•	Treasury Management Indicators;
•	The current treasury position;
•	The borrowing requirement;
•	Prospects for interest rates;
•	The borrowing strategy;
•	The investment strategy.

- 3.4 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code). This requires the Treasury Management Strategy and policies to be scrutinised by an individual / group of individuals or committee, and the Corporate Audit Committee have been nominated by Council to carry out this function.

#### 2024/25 Treasury Management Strategy Statement

- 3.5 The Strategy Statement for 2023/24 set the Treasury Indicators for 2023/24 – 2025/26, which included a forecast for the total borrowing requirement at the end of 2023/24 of £462.1m. At the end of December 2023, actual external borrowing was at £216.99 million, with further borrowing potentially required prior to year-end to maintain cashflow. The level of borrowing is in line with the policy of utilising internal cash to reduce net borrowing costs and investment counterparty risk.
- 3.6 The proposed Treasury Management Strategy is attached as **Appendix 1** and includes the Treasury Management Indicators required by the Treasury Management Code.
- 3.7 Although the indicators provide for a maximum level of total borrowing, this should by no means be taken as a recommended level of borrowing, as each year



affordability needs to be taken into account together with other changes in circumstances, for example revenue pressures, levels and timing of capital receipts, changes to capital projects spend profiles, and levels of internal cash balances.

- 3.8 The Revenue & Capital Budget Report 2024/25, which is on February's Cabinet and Council agenda, includes appropriate provision for the revenue costs of the capital programme in accordance with this Treasury Management Strategy.
- 3.9 **Appendix 1** also details the Council's current portfolio position as at 31<sup>st</sup> December 2023, which shows after the netting off of the £39.10 million investments, the Council's net debt position was £177.89 million.
- 3.10 The Treasury Investment Strategy section of **Appendix 1** sets 'outer limits' for treasury management operations. While the strategy uses credit ratings in a "mechanistic" way to rule out counterparties, in operating within the policy, officers complement this with the use of other financial information when making investment decisions, for example Credit Default Swap (CDS) prices, Individual Ratings, and the financial press. This has been the case in previous years, which has protected the Council against losses of investment, for example in Icelandic banks.
- 3.11 The Counterparty listing in **Appendix 2** includes credit ratings from three agencies, as well as a sovereign rating for each country. Counterparties who now meet the minimum criteria as recommended in **Appendix 1** as at 31<sup>st</sup> December 2023 are included in the listing in **Appendix 2**.
- 3.12 The Council has met the conditions to opt up to MiFID II professional status and intends for this to continue in 2024/25 in order to continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to continue to receive the same level of support from our treasury management advisors.

## 4 STATUTORY CONSIDERATIONS

- 4.1 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

## 5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The resource implications are included in the report and appendices.

## 6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.
- 6.2 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management consultants Arlingclose.

6.3 The 2021 edition of the CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

**7 CLIMATE CHANGE**

7.1 The 2024/25 Treasury Management Strategy includes options for ESG (Environmental, Social and Corporate Governance) focussed investments.

**8 OTHER OPTIONS CONSIDERED**

8.1 The Chief Financial Officer, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are the table below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times.	Interest income will be lower.	Lower chance of losses from credit related defaults, but any such losses may be greater.
Invest in a wider range of counterparties and/or for longer times.	Interest income will be higher.	Increased risk of losses from credit related defaults, but any such losses may be smaller.
Borrow additional sums at long-term fixed interest rates.	Debt interest costs will rise; this is unlikely to be offset by higher investment income.	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain.
Borrow short-term or variable loans instead of long-term fixed rates.	Debt interest costs will initially be lower.	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain.
Reduce level of borrowing.	Saving on debt interest is likely to exceed lost investment income.	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain.

## 9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Chief Finance Officer and Monitoring Officer.

<b>Contact person</b>	<i>Jamie Whittard - 01225 477213; Claire Read – 01225 477019</i> <a href="mailto:Jamie_Whittard@bathnes.gov.uk">Jamie_Whittard@bathnes.gov.uk</a> ; <a href="mailto:Claire_Read@bathnes.gov.uk">Claire_Read@bathnes.gov.uk</a>
<b>Background papers</b>	<i>2023/24 Treasury Management &amp; Investment Strategy</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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## **Appendix 1**

### **Treasury Management Strategy Statement 2024/25**

#### **1. Introduction**

##### **1.1 Treasury management overview**

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service or commercial purposes are considered in the Capital & Investment Strategy document which is included as an appendix to the Authority's 2024/25 Revenue & Capital Budget Report.

##### **1.2 External Context (data/commentary as at January 2024)**

###### **1.2.1 Economic background:**

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

### **1.2.2 Credit outlook:**

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of the 2023 calendar year, in the second half of the year, higher interest rates and

inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

### **1.2.3 Interest rate forecast (December 2023):**

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

For the purpose of setting the budget, it has been assumed that short term treasury investments will be made at an average rate of 4.75% and long-term strategic investments will yield an average rate of 4.25%. It is forecast that new long-term loans will be borrowed at an average rate of 4.75% during 2024/25.

### 1.3 Local Context

**1.3.1 Council's position as at 31<sup>st</sup> December 2023:** The Council held £216.99m of borrowing and £39.1m of treasury investments. This is set out in further detail in Table 1 below.

*Table 1: Balance sheet summary*

	<b>31/12/2023 Actual portfolio £m</b>	<b>31/12/2023 Average rate %</b>
<b>External borrowing:</b>		
Public Works Loan Board	196.99	3.11%
Local authorities	10.00	4.45%
LOBO loans from banks	10.00	4.50%
Other loans	0.00	0.00%
<b>Total external borrowing</b>	<b>216.99</b>	<b>3.24%</b>
<b>Treasury investments:</b>		
The UK Government	0.00	0.00%
Local authorities	5.00	5.45%
Banks (unsecured)	0.00	0.00%
Building societies (unsecured)	0.00	0.00%
Money market funds	24.10	5.33%
Strategic pooled funds	10.00	4.47%
Other investments	0.00	0.00%
<b>Total treasury investments</b>	<b>39.10</b>	<b>5.13%</b>
<b>Net debt</b>	<b>177.89</b>	

### 1.3.2 Capital Financing Requirement:

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.



The Authorities Capital Financing Requirement (CFR, or underlying need to borrow) excluding lease financing as at 31st March 2024 is expected to be £376.5m and is forecast to rise to £441.7m by March 2025 as capital expenditure is incurred.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2024/25.

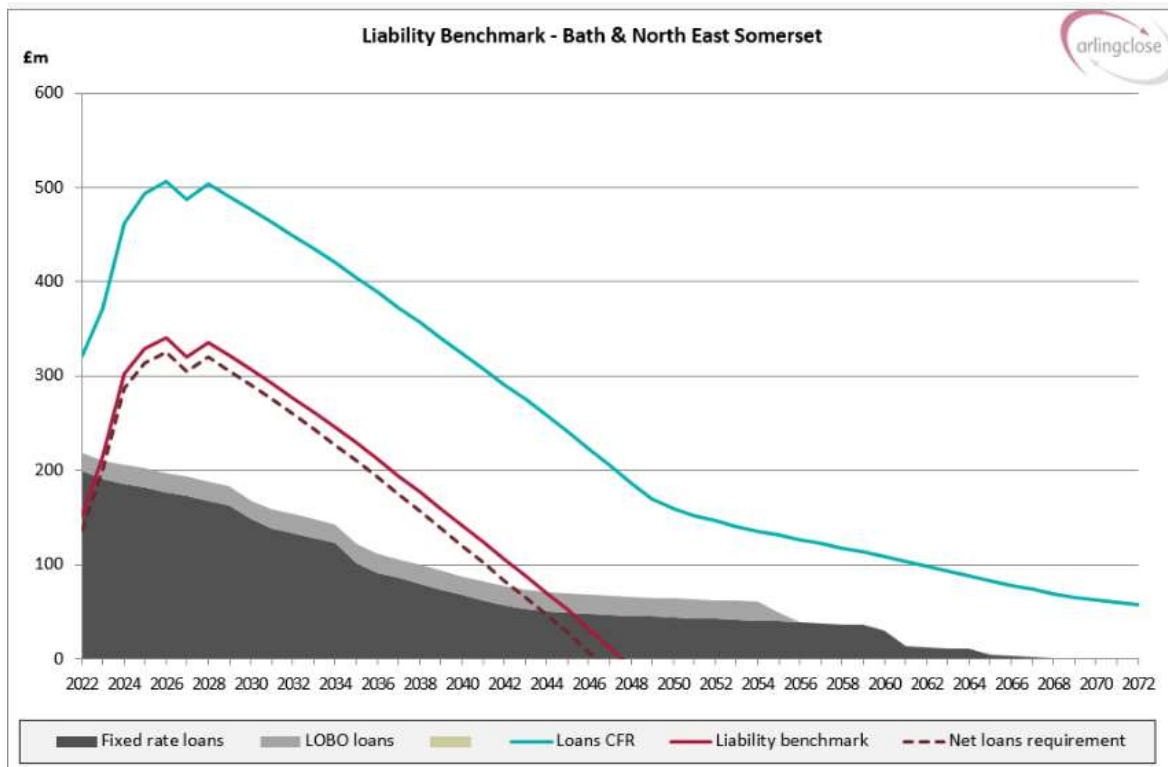
## Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	<b>31.3.23 Actual £m</b>	<b>31.3.24 Estimate £m</b>	<b>31.3.25 Forecast £m</b>	<b>31.3.26 Forecast £m</b>	<b>31.3.27 Forecast £m</b>
Loans CFR	341.0	376.5	441.7	474.7	499.0
Less: Balance sheet resources	(165.3)	(160.6)	(157.4)	(155.4)	(155.2)
<b>Net loans requirement</b>	175.7	215.9	284.3	319.3	343.8
Plus: Liquidity allowance	15.0	15.0	15.0	15.0	15.0
<b>Liability benchmark</b>	<b>190.7</b>	<b>230.9</b>	<b>299.3</b>	<b>334.3</b>	<b>358.8</b>

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of around £68m for 2024/25, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, and expenditure increasing by inflation of 2.5% a year. This is shown in the chart below together with the maturity profile of the Council's existing borrowing:



When we compare actual borrowing (the grey slopes) to the Liability Benchmark (solid red line) the model anticipates that the Council will be in a under borrowed position between 2024 and 2045. When the Council is considering new long term borrowing, this funding gap can be used, as a useful guide to the optimal amount and length of borrowing required in order to minimise interest rate and credit risk.

## **2. Borrowing Strategy**

### **2.1 Current borrowing**

The Council currently holds £216.99 million of loans, an increase £6.73 million on the previous year. The Council has taken out £20m in new borrowing between 1<sup>st</sup> April – 31<sup>st</sup> December 2023, this is comprised of two new £5m loans to replace the £10m LOBO loan which was called and repaid in October and a new £10m short term loan to cover the pension prepayment and allow the Council to maintain its £15m liquidity indicator. This was netted off by £3.27m in PWLB annuity loan repayments during 2023.

### **2.2 Objectives**

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

## **2.3 Strategy**

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years. Therefore, we will continue to assess the maturity profile of any new borrowing taking into account both current and predicted future rates. Where more cost effective over the medium term we will continue to make use of internal resources or consider a proportion of short-term borrowing instead.

The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. Arlingclose may assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and it may consider investigating the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

## **2.4 Sources of borrowing**

The Approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Avon Pension Fund)
- capital market bond investors

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

**Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

In 2024/25 the accounting treatment of leases changes and as a result more leases will be brought on to the balance sheet, increasing the Council's Other Long-Term Liabilities. The expected impact of this is to increase the Capital Financing Requirement (CFR) by an estimated £9m.

**2.4.1 Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject to specific approval in accordance with the Council's appropriate delegation.

**2.4.2 LOBOs:** The Council has £10m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. These LOBOs have options due up in 2024/25 and it is possible that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years. Total borrowing via LOBO loans will be limited to the current £10m.

**2.4.3 Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

**2.4.4 Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an

overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

### **3. Treasury Investment Strategy**

#### **3.1 Current investments**

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £27.4m and £72.7m.

#### **3.2 Objectives**

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

#### **3.3 Strategy**

As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments in line with advice from Arlingclose. The Council will continue to hold the £5m long term strategic investment balance in the CCLA LA Property fund as well as the £5m invested into two ESG funds; FP Foresight UK Infrastructure Income fund (£3m) & VT Gravis Clean Energy Income Fund (£2m), further details of this are provided in section 3.8.

The Council has opted up to Professional status for MiFID II purposes which allows it to place its treasury assets in a greater range of financial products which has been of significant importance over the last few years. To be categorised as Professional the Council must hold at least a £10m investment balance, the Council's three pooled investments mentioned above, which are medium – long term investments, guarantee that this balance will always be held. By placing this required £10m balance in these three pooled funds the Council aims to achieve a total return that is equal or higher than the long-term average rate of inflation thus preserving the spending power of this £10m balance.

The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation

risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

The total amount borrowed will not exceed the 2024/25 authorised borrowing limit of £451m. The maximum period between borrowing and expenditure is expected to be three years, although loans are linked with its budgeted programme, individual items within that programme are not linked to the loans at a granular level.

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### 3.4 Approved counterparties

The Council may invest its surplus funds with any of the counterparty types in Table 3 below, subject to the limits shown.

*Table 3: Treasury investment counterparties and limits*

<b>Sector</b>	<b>Minimum credit rating*</b>	<b>Time limit</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	NA	5 years	Unlimited	Unlimited
Local authorities & other government entities	NA	5 years	£10m	Unlimited
Secured investments	A-	5 years	£10m	Unlimited
Banks (unsecured)	A-	13 months	£10m	Unlimited
Building societies (unsecured)	A-	13 months	£10m	£15m
Registered providers (unsecured)	A-	5 years	£5m	£5m
Money market funds	A-	n/a	£10m	£60m
Strategic pooled funds	NA	n/a	£5m	£10m
Foreign countries per country	AA+	13 months	£10m	£10m
ESG focussed short term deposits	A-	13 months	£5m	£5m
Other investments	A-	5 years	£5m	£5m

This table must be read in conjunction with the notes below

\* **Minimum credit rating:** Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

**3.4.1 Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 5 years.

**3.4.2 Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**3.4.3 Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**3.4.4 Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**3.4.5 Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. The Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**3.4.6 Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Note that this classification covers the Council's two ESG investments and the investment in the CCLA property fund.

**3.4.7 Foreign countries:** This category covers investment with both the governments of foreign countries and banks based in foreign countries. Where a bank is domiciled in a foreign country, the bank must meet the minimum credit criteria set out in Table 3 of A-for 'Banks (unsecured)' and be domiciled in a country which meets the minimum credit rating criteria set of AA+.

**3.4.8 Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk. Any investment under this category will only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser.

**Note:** Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**3.4.9 Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

### **3.5 Risk assessment and credit ratings**

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.



Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**3.5.1 Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

The Council is aware that investing with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

### **3.6 Investment limits**

The Council’s revenue reserves (including earmarked reserves) available to cover investment losses was £76 million as at 31st March 2023. To limit risk from any a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million which represents 13.09% of reserves. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

### **3.7 Liquidity management**

The Council uses forward looking forecasting based on prior year cashflows combined with knowledge of upcoming income/spending to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

### **3.8 Environment Social and Governance investment approach**

**3.8.1 The Climate Emergency:** In 2019 Bath and North East Somerset Council declared a Climate emergency reflecting the concern that the Council has over climate change, and the commitment of the Council to address the issue with regards to evaluating the climate change impact of all our decisions.

**3.8.2 Background:** The CIPFA Treasury Management Code and DLUHC Investment Guidance state that the main principles in investing are Security, Liquidity and Yield in that order. However, as part of the 2021 Code, CIPFA now requires local authorities to have some consideration of ESG factors when investing.

#### **3.8.3 Long term ESG investments:**

In the 2021/22 Treasury Management Strategy the Authority adopted an ESG investment approach as part of its 2021/22 Investment Strategy. Resulting in a long-term investment of £5m investment split across the following two ESG focused funds;

- £3m into FP Foresight UK Infrastructure fund; &
- £2m into VT Gravis Clean energy income fund.

#### **3.8.4 Short term ESG investments:**

When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

The Authority may also consider options for investment in short-term funds with institutions who ring fence the use of such funds for ESG related matters. The criteria for credit rating of security of such deposits will need to remain in line with the wider Authority policy, however where appropriate and at the Authorities discretion, some flexibility will be provided to allow for slightly longer durations of investment and potentially lower

returns in order to support the ESG focus. Where such flexibility is used, the investment will be subject to agreement of the S151 Officer taking these factors into consideration.

Direct involvement and financing of Green energy projects is treated as capital expenditure, and as such is not covered within the remit of treasury management.

### **3.9 Other matters**

**Avon Pension Fund Investments:** The Council's Treasury Management team also manage the Avon Pension Fund's internally held cash on behalf of the Fund. The cash balance held internally is a working balance to cover pension payments at any point in time and it is estimated will be an average of £43 million, being around 0.5% of the overall assets of the Fund. The regulations require that this cash is accounted for separately and invested separately from the Council's cash.

Investments held will operate within the framework of this Investment Strategy, but the maximum counterparty limit and investment term with any counterparty are set annually by the Avon Pension Fund Committee. These limits are in addition to the Council's limits for counterparties as set out in Appendix 2.

The Pension Fund's investment managers are responsible for the investment of cash held within their portfolios, and this policy does not relate to their cash investments. The Brunel Pension Partnership does not have any direct impact on the Authorities treasury management activities.

## **4. Treasury Management Prudential Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators.

### **4.1 Treasury Borrowing Limits for 2024/25 to 2026/27**

It is a statutory duty under s.3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'.

The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit. The Code requires a Council to ensure that its total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council tax levels is 'acceptable'.

The Affordable Borrowing Limit must include all planned capital investment to be financed by external borrowing and any other forms of liability, such as credit arrangements. The Affordable Borrowing Limit is to be set on a rolling basis for the forthcoming year and two successive financial years.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

*Table 4: Operational and authorised borrowing limits*

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Operational Boundary – Borrowing	£413m	£447m	£479m
Operational Boundary – Other Long-Term Liabilities	£9m	£9m	£9m
<b>Operational boundary – TOTAL</b>	<b>£422m</b>	<b>£456m</b>	<b>£481m</b>
Authorised Limit- Borrowing	£422m	£475m	£499m
Authorised Limit – Other Long-Term Liabilities	£9m	£9m	£9m
<b>Authorised limit – TOTAL</b>	<b>£451m</b>	<b>£484m</b>	<b>£508m</b>

## 4.2 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

*Table 5: Portfolio average credit rating criteria*

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit rating	A-

## 4.3 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Table 6: Minimum 3 month liquidity limit

Liquidity risk indicator	Target
Total cash available within 3 months	£15m

#### 4.4 Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £0.8m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £0.8m

The impact of this limit is that the Council should never be holding a maturity adjusted net debt/investment position of more than £80m subject to variable interest rates.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates, this includes amounts which are maturing each year in PWLB annuity loans.

#### 4.5 Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 8: Borrowing maturity limits

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	75%	0%
5 years and within 10 years	75%	0%
10 years and within 25 years	100%	25%
Over 25 years	100%	

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. For LOBO's this will now be shown as the date of their maturity.

## 4.6 Long-term treasury management investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

*Table 9: Investment maturity limits*

Price risk indicator	2024/25	2025/26	2026/27	No fixed Date
Limit on principal invested beyond year end	£40m	£20m	£10m	£10m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## **5. Related Matters**

The CIPFA Code requires the Authority to include some of the following in its treasury management strategy.

### **5.1 Treasury management advisers**

The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is monitored by officers on a regular basis, focusing on supply of relevant, accurate and timely information across the headings above.

### **5.2 Financial derivatives**

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward

deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### **5.3 External Funds**

Where schools have not opted to have their own bank account, the Council manages their investment balances as part of its own. The Council treats the schools' balances in its accounts as part of the Council's investment portfolio but assigns a return at a rate of base rate less 0.25% (capped to a minimum of zero where base rate drops below 0.25%) to schools for their respective balances.

### **5.4 Markets in Financial Instruments Directive**

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

### **5.5 Staff and Councillor training**

The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff performance development review process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Training in treasury management is also provided to Members of the Corporate Audit Committee by the Council’s treasury advisors, Arlingclose.

## 5.6 Financial Implications

The budget for treasury management investment income in 2024/25 is £1.5m, based on an average investment portfolio of £33 million at an average interest rate of 4.42%. The budget for debt interest paid in 2024/25 is £9.1m, based on an average debt portfolio of £258m at an average interest rate of 3.55%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

Where investment income from strategic pooled funds exceeds budget, then 50% of the revenue savings may be transferred to the Capital Financing Reserve to mitigate the risk of capital losses in future years should valuation losses on fair value treasury assets require recognition, or where capital losses were crystallised on the sale of treasury assets.

## 5.7 Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

*Table 10: Alternative treasury strategy options considered*

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller



<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2023**

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

### **Forecast:**

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>10yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>20yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>50yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%  
PWLB Certainty Rate = Gilt yield + 0.80%  
PWLB HRA Rate = Gilt yield + 0.40%  
UK Infrastructure Bank Rate = Gilt yield + 0.40%

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Counterparty	Country of Domicile	ARLINCLOSE RECOMMENDS		FITCH RATINGS					MOODY'S RATINGS				STANDARD & POOR'S RATINGS			Banking Group	Accepts Deposits	Notes
		Maximum Deposit/CD Duration	Repo & Covered Bonds	Short-term	Long-term	Viability	Support	Outlook	Short-term	Long-term	Baseline Credit Assess	Outlook	Short-term	Long-term	Outlook			
<b>UNITED KINGDOM - BANKS</b>																		
BANK OF SCOTLAND PLC	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE	Lloyds Banking Group	Yes	Ringfenced bank
LLOYDS BANK PLC	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE	Barclays Group	Yes	Ringfenced bank
BARCLAYS BANK PLC	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	baa2	STABLE	A-1	A+	STABLE		Yes	Non-ringfenced bank
BARCLAYS BANK UK PLC	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE	Svenska HB	Yes	Ringfenced bank
HANDELSBANKEN PLC	GB	35 days	-	F1+	AA			STABLE					A-1+	AA-	STABLE		Yes	
HSBC BANK PLC	GB	35 days	Yes	F1+	AA-	a		STABLE	P-1	A1	baa3	STABLE	A-1	A+	STABLE	HSBC Group	Yes	Non-ringfenced bank
HSBC UK BANK PLC	GB	35 days	Yes	F1+	AA-	a		STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE		Yes	Ringfenced bank
NATIONAL WESTMINSTER BANK	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE	NatWest Group	Yes	Ringfenced bank
NATWEST MARKETS PLC	GB	35 days	Yes	F1	A+			STABLE	P-1	A1	baa3	STABLE	A-1	A	STABLE		Yes	Non-ringfenced bank
ROYAL BANK OF SCOTLAND PLC/T	GB	35 days	Yes	F1	A+	a		STABLE	(P)P-1	A1	a3	STABLE	A-1	A+	STABLE	Santander	Yes	Ringfenced bank
SANTANDER UK PLC	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	baa1	STABLE	A-1	A	STABLE		Yes	Ringfenced bank
STANDARD CHARTERED BANK	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	baa2	STABLE	A-1	A+	STABLE		Yes	
<b>UK: BUILDING SOCIETIES</b>																		
NATIONWIDE BUILDING SOCIETY	GB	35 days	Yes	F1	A+	a		STABLE	P-1	A1	a3	STABLE	A-1	A+	STABLE		Yes	
<b>UK: LOCAL AUTHORITIES</b>																		
ABERDEEN CITY COUNCIL	GB	2 years +	-								A2	baa1	STABLE					
CORNWALL COUNCIL	GB	2 years +	-								A1	a3	STABLE					
GREATER LONDON AUTHORITY	GB	2 years +	-										A-1+	AA	STABLE			
LANCASHIRE COUNTY COUNCIL	GB	2 years +	-								A2	baa2	STABLE					
NORTH LONDON WASTE AUTHORITY	GB	2 years +	-								A1	a3	STABLE					
SUTTON LONDON BOROUGH OF TRANSPORT FOR LONDON	EN	2 years +	-								A1	a3	STABLE					
GB	1 year	-	-	F1+	AA-		NEG		P-2	A3	baa2	POS	A-1	A+	POS			
<b>UK: OTHER INSTITUTIONS</b>																		
LCR FINANCE PLC	EN	10 years	-		AA-		NEG				Aa3	STABLE		AA				
NETWORK RAIL INFRASTRUCTURE	GB	10 years	-		AA-		NEG		P-1		Aa3	STABLE						
UNITED KINGDOM	GB	50 years	-	F1+u	AA-u		NEG				Aa3	STABLE	A-1+u	AAu	STABLE		Yes	
UNITED KINGDOM	GB	50 years	-	F1+u	AA-u		NEG				Aa3	STABLE	A-1+u	AAu	STABLE		Yes	
WELLCOME TRUST FINANCE PLC	GB	15 years	-								Aaa	STABLE		AAA	STABLE			
<b>AUSTRALIA</b>																		
AUSTRALIA	AU		-	F1+u	AAAu			STABLE			Aaa	STABLE	A-1+u	AAAu	STABLE			
AUST AND NZ BANKING GROUP	AU	35 days	-	F1	A+	a+		STABLE	P-1	Aa3	a2	STABLE	A-1+	AA-	STABLE		Yes	
COMMONWEALTH BANK OF AUSTRAL	AU	35 days	Yes	F1	A+	a+		STABLE	P-1	Aa3	a2	STABLE	A-1+	AA-	STABLE		Yes	
NATIONAL AUSTRALIA BANK LTD	AU	35 days	Yes	F1	A+	a+		STABLE	P-1	Aa3	a2	STABLE	A-1+	AA-	STABLE		Yes	
WESTPAC BANKING CORP	AU	35 days	-	F1	A+	a+		STABLE	P-1	Aa3	a2	STABLE	A-1+	AA-	STABLE		Yes	
<b>AUSTRIA</b>																		
AUSTRIA	AS		-	F1+u	AA+u		NEG		P-1	Aa1		STABLE	A-1+	AA+	STABLE			
OESTERREICHISCHE KONTROLLBAN	AS	10 years	-						P-1	Aa1		STABLE	A-1+	AA+	STABLE		Yes	"OKB"
<b>CANADA</b>																		
CANADA	CA		-	F1+u	AA+u			STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
BANK OF MONTREAL	CA	35 days	Yes	F1+	AA	aa-		STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
BANK OF NOVA SCOTIA	CA	35 days	Yes	F1+	AA	aa-		STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
CAN IMPERIAL BK OF COMMERCE	CA	35 days	Yes	F1+	AA	aa-		STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	
EXPORT DEVELOPMENT CANADA	CA	10 years	-						P-1	Aaa		STABLE	A-1+	AAA	STABLE		Yes	
NATIONAL BANK OF CANADA	CA	35 days	-	F1+	AA-	a+		STABLE	P-1	Aa3	baa1	POS	A-1	A	STABLE		Yes	
ROYAL BANK OF CANADA	CA	35 days	Yes	F1+	AA	aa-		STABLE	P-1	Aa1	a2	STABLE	A-1+	AA-	STABLE		Yes	
TORONTO-DOMINION BANK	CA	35 days	Yes	F1+u	AAu	aa-u		STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
<b>DENMARK</b>																		
KOMMUNEKREDIT	DE	10 years	-	F1+	AAA			STABLE	P-1	Aaa		STABLE	A-1+u	AAAu	STABLE			
FINLAND	FI		-	F1+	AA+			STABLE	P-1	Aa1		STABLE	A-1+	AA+	STABLE			
MUNICIPALITY FINANCE PLC	FI	10 years	-								Aa1	STABLE	A-1+	AA+	STABLE		Yes	
NORDEA BANK ABP	FI	35 days	-	F1+	AA	aa-		STABLE	P-1	Aa3	a3	STABLE	A-1+	AA-	STABLE		Yes	
OP CORPORATE BANK PLC	FI	35 days	-						P-1	Aa3	baa2	STABLE	A-1+	AA-	STABLE		Yes	
<b>GERMANY</b>																		
GERMANY	GE		-	F1+u	AAAu			STABLE			Aaa	STABLE	A-1+u	AAAu	STABLE			
BAYERISCHE LANDESBANK	GE	35 days	-	F1	A	bbb+		STABLE	P-1	Aa3	baa2	POS	NR	NR		Yes	"BayernLB"	
DZ BANK AG DEUTSCHE ZENTRAL-	GE	35 days	-	F1+	AA			STABLE	P-1	Aa2	baa2	STABLE	A-1	A+	STABLE		Yes	
FMS WERTMANAGEMENT	GE	25 years	-						P-1	Aaa		STABLE	A-1+	AAA	STABLE		Yes	
KREDITANSTALT FUER WIEDERAUFBRAU (KfW)	GE	25 years	-	F1+u	AAAu			STABLE	P-1			STABLE	A-1+	AAA	STABLE			"KfW"
LANDESBANK BADEN-WUERTEMBERG	GE	35 days	-	F1	A	bbb+		STABLE	P-1	Aa3	baa2	STABLE	NR	NR			"LBBW"	
LANDESBANK HESSEN-THURINGEN	GE	35 days	-	F1+	AA-			STABLE	P-1	Aa3	baa2	STABLE	NR	NR		Yes	"Helaba"	
LANDESKRED BADEN-WUERTT FOER	GE	25 years	-	F1+u	AAAu			STABLE	P-1	Aaa		STABLE	A-1+	AA+	POS		Yes	"L-Bank"
LANDWIRTSCHAFTLICHE RENTENBA	GE	25 years	-	F1+	AAA			STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE		Yes	"Rentenbank"
<b>IRELAND</b>																		
IRELAND	IR		-	F1+	AA-			POS	P-1	Aa3		STABLE	A-1+	AA	STABLE			

Counterparty	Country of Domicile	ARLINCLOSE RECOMMENDS		FITCH RATINGS					MOODY'S RATINGS				STANDARD & POOR'S RATINGS			Banking Group	Accepts Deposits	Notes
		Maximum Deposit/CD Duration	Repo & Covered Bonds	Short-term	Long-term	Viability	Support	Outlook	Short-term	Long-term	Baseline Credit Assess	Outlook	Short-term	Long-term	Outlook			
NETHERLANDS	NE		-	F1+u	AAAu			STABLE	P-1u	Aaa		STABLE	A-1+u	AAAu	STABLE			
BNG BANK NV	NE	5 years	-	F1+	AAA			STABLE	P-1	Aaa	a1	STABLE	A-1+	AAA	STABLE		Yes	
COOPERATIEVE RABOBANK UA	NE	35 days	-	F1+	AA-	a+		STABLE	P-1	Aa2	a3	STABLE	A-1	A+	STABLE		Yes	"Rabobank"
NEDERLANDSE WATERSCHAPSBANK	NE	5 years	-						P-1	Aaa	a1	STABLE	A-1+	AAA	STABLE		Yes	
NORWAY	NO		-	F1+u	AAAu			STABLE		Aaa		STABLE	A-1+u	AAAu	STABLE			
KOMMUNALBANKEN AS	NO	5 years	-						P-1	Aaa	a1	STABLE	A-1+	AAA	STABLE		Yes	
SINGAPORE	SI		-	F1+u	AAAu			STABLE		Aaa		STABLE	A-1+u	AAAu	STABLE			
DBS BANK LTD	SI	35 days	Yes	F1+	AA-	aa-		STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
OVERSEA-CHINESE BANKING CORP	SI	35 days	Yes	F1+	AA-	aa-		STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
UNITED OVERSEAS BANK LTD	SI	35 days	Yes	F1+	AA-	aa-		STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE		Yes	
SWEDEN	SW		-	F1+u	AAAu			STABLE	P-1	Aaa		STABLE	A-1+u	AAAu	STABLE			
SVENSKA HANDELSBANKEN-A SHS	SW	35 days	-	F1+	AA+	aa		STABLE	P-1	Aa2	a2	NEG	A-1+	AA-	STABLE	Svenska HB		
SVENSK EXPORTKREDIT AB	SW	5 years	-						P-1	Aa1	a2	STABLE	A-1+	AA+	STABLE			
UNITED STATES OF AMERICA	US		-	F1+u	AA+u			STABLE		Aaa		NEG	A-1+u	AA+u	STABLE			
NORTHERN TRUST CO	US	35 days	-	F1+	AA	aa-		STABLE	P-1	Aa1	a1	STABLE	A-1+	AA-	STABLE			
SUPRANATIONAL																		
COUNCIL OF EUROPE DEVELOPMENT BANK (CEDB)	FR	15 years	-	F1+	AAA			STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)	GB	25 years	-	F1+	AAA			STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
EUROPEAN INVESTMENT BANK (EIB)	LX	25 years	-	F1+	AAA			STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE			
INTER-AMERICAN DEVELOPMENT BANK (IADB)	US	25 years	-	F1+u	AAAu			STABLE	(P)P-1	Aaa		STABLE	A-1+	AAA	STABLE			
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE WORLD BANK)	US	25 years	-	F1+u	AAAu			STABLE	P-1	Aaa		STABLE	A-1+	AAA	STABLE	World Bank Group		"World Bank"
INTERNATIONAL FINANCE CORP	US	25 years	-						(P)P-1	(P)Aaa		STABLE	A-1+	AAA	STABLE			
NORDIC INVESTMENT BANK (NIB)	FI	25 years	-						P-1	Aaa		STABLE	A-1+	AAA	STABLE			

<b>Bath &amp; North East Somerset Council</b>	
MEETING	<b>Corporate Audit Committee</b>
MEETING	<b>7<sup>th</sup> February 2024</b>
TITLE:	<b>Risk Management – Update &amp; Overview of Arrangements</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b>  Appendix 1 – Risk Management Framework  Appendix 2 – Corporate Risk Register  Appendix 3 – Risk Management Guidance for Decision Making</p>	

## **1 THE ISSUE**

- 1.1 This report provides an overview of the Council’s risk management arrangements to assist in understanding of Members roles in delivering on the Council’s priorities.
- 1.2 The Council’s Corporate Audit Committee has responsibility within its terms of reference for overseeing the risk management framework of the Council.

## **2 RECOMMENDATION**

The Corporate Audit Committee is asked to:

- 2.1 Note the report
- 2.2 Consider and provide any feedback and observations to further develop good practice for our next Strategy Review.

## **3 THE REPORT**

- 3.1 The Corporate Audit Committee has responsibility for overseeing the risk management framework within the Council. This does not mean accountability or responsibility for the risks which clearly sit with the respective Service area but do have a role in providing assurance that a system is in place and working.
- 3.2 This paper therefore sets out the framework for how the Council approaches risk management and provides detail on organisational practice including roles and responsibilities of the different stakeholders.

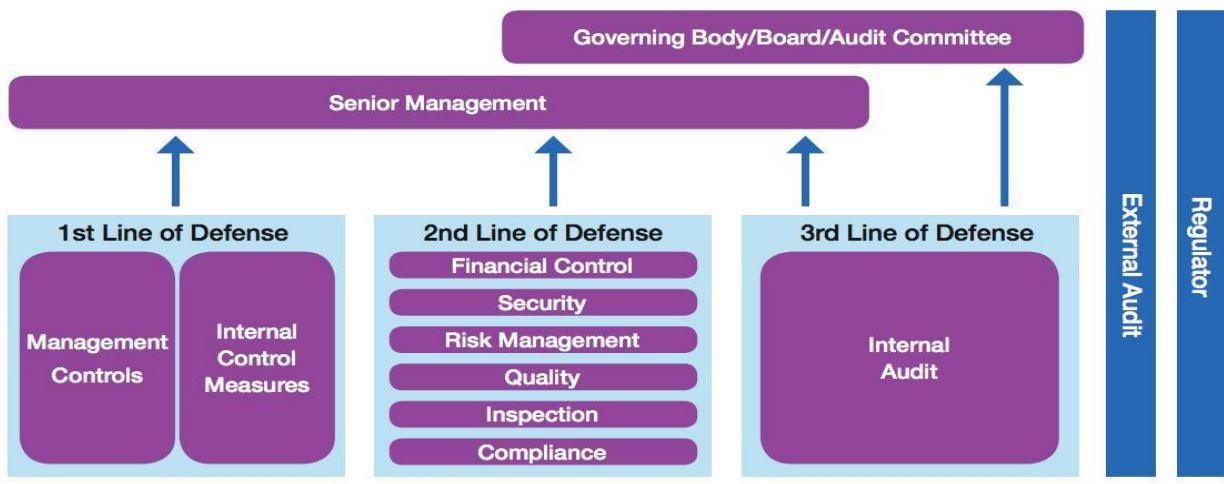
## Context – Risk Management Framework (Appendix 1)

- 3.3 Our strategy to manage risk recognises that both taking and accepting more risk is part of modern service delivery. However in accepting more risk we will do this in both a transparent and informed way to achieve the best results for citizens and customers.
- 3.4 Therefore we want to promote an approach that focusses on the effective identification and management of risks to ensure the council is focussed on minimising adverse impacts and maximising benefits within the delivery of its objectives throughout all of its services.
- 3.5 Active risk management is an integral component of our local code of corporate governance which is designed to help us achieve our aspirations, priorities and outcomes to deliver the Council’s Vision. This strategy therefore expects that we focus on taking the right actions to address risks and opportunities both in a transparent way and based on evidence.



- 3.6 The framework is therefore designed to support Officers and Members in delivering on the Council’s plans and operational objectives.
- 3.7 Our detailed approach to risk management is further explained and outlined in Appendix 1 which is our Risk Management Toolkit.
- 3.8 Risk Management forms the second line in the ‘Three Lines of Defence Model’ protecting our organisation.
- 3.9 We do this in a sensible and proportionate way to actively manage risks down the risk matrix in terms of their potential impact on the organisation.





		LIKELIHOOD				
		Rare	Unlikely	Possible	Likely	Almost Certain
IMPACT	Catastrophic	Yellow	Yellow	Red	Red	Red
	Major	Green	Yellow	Yellow	Red	Red
	Moderate	Green	Yellow	Yellow	Yellow	Red
	Minor	Green	Green	Yellow	Yellow	Yellow
	Negligible	Green	Green	Green	Green	Green

**4 EMBEDDING RISK MANAGEMENT**

- 4.1 The council uses a range of national and local intelligence sources to inform and support risk identification, analysis and evaluation. The Cabinet Office provides guidance on national threats and risk.
- 4.2 The council is a member of Avon & Somerset Local Resilience Forum (ASLRF) whose role is to plan and prepare for emergencies, aligning national and sub-regional risk management practices. The ASLRF has a standing risk working group and has supported Covid response and recovery arrangements.
- 4.3 The Cabinet Office periodically updates national risk assessments and other intelligence sources include outputs from external audits, statutory returns, national and regional benchmarking, organisational and service data. All these inform our knowledge and understanding of organisational risk.

## **Operational Processes/Business as Usual**

4.4 Risk Management is an important part of the business and service planning process. We do this through the use of existing management processes so that they are both integrated and proportionate. To help support this we have established a Risk Management Steering Group chaired by the Chief Operating Officer.

The core of the work of this group focusses on the following -

- Oversight of Risk Management activity on behalf of Corporate Management Team including our Risk Management framework and associated processes
- Cyclical/Risk Based review of significant risks, i.e. areas on the Corporate Risk Register.
- Standing Review at each meeting of the following -
  - Council stage 2 and Ombudsman complainants
  - Reportable H & S Accidents & HSE reported incidents
  - Legal Challenges inc Employee Tribunal cases
  - Level of Insurance claims and high value cases
  - Security & Data Breaches/Incidents
  - Audit Reports for Limited or No Assurance Opinions
- Review national and regional trend data and benchmarking information
- Horizon Scanning and future planning

4.5 Cabinet Members are encouraged to hold regular conversations with Directors and consider the content of the both the corporate and directorate risk registers.

4.6 There has been good progress in the review of directorate held risk and each Directorate is required to regularly update their own risk register alongside any major projects or programmes they are managing. Forthcoming Service Planning for 2024/25 will result in further refinement by ensuring access to the most up to date information.

4.7 The Director of Public Health has led the Covid 'look back, look forward' review and this partnership work is being fed into local outbreak management plans. It has been used to aid our preparation for the coming Autumn/Winter pressures.

4.8 Further actions undertaken include the development of our corporate risk dashboard, which now forms part of the council's integrated reporting framework. The dashboard will pull information primarily from the corporate risk register.

4.9 The council's Corporate Management Team has received an update on the council's business continuity arrangements. A number of actions were agreed to strengthen arrangements to mitigate risk to critical services in the event of a major incident.

4.10 The Avon and Somerset Local Resilience Forum has delivered a number of training exercises to test our partnership response to emergencies. These exercises are focused on the higher residual risks identified in our partnership risk register. Officers have participated in this training.

## Corporate Risk Register (CRR) (Appendix 2)

- 4.11 All risk registers are dynamic documents, currently the CRR contains 26 risks which are owned by the Corporate Management Team and they review the register formally on a quarterly basis. The CRR identifies themes, service area/ director/ officer leads and describes the risks and commentary around actions, status and mitigation. This allows regular review of the changing landscape in local government and ability to provide co-ordinated responses to major threats.
- 4.12 The inherent, residual and risk change are also captured and structured around the following themes:

Partnership Working	Resource & Budget Management
Climate Change	Transformation
Housing	Cyber Risk Management
Infrastructure	Financial Planning
Climate Emergency	Cost of Living/Inflationary Pressures
Transport	Workforce Resilience
Safeguarding	Health and Safety
Social Care	Emergency Management
Corporate Governance	Avon Pension Fund

- 4.13 Finally, the Strategy and Framework are being re-assessed in Q4 and therefore comments from the Committee would be welcome in terms of areas for development or consideration.

## 5 STATUTORY CONSIDERATIONS

- 5.1 The council has statutory duties to plan and prepare for emergencies under the provisions of the Civil Contingencies Act 2004.

## 6 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 6.1 This is an information report so there are no direct implications arising from this report.

## 7 RISK MANAGEMENT

- 7.1 No decision or recommendation is being made and this report details the council's approach to risk management. As a result there are therefore no significant risks to consider in relation to this report.

## 8 EQUALITIES

8.1 Equalities impacts are considered and integrated into risk registers as appropriate.

## 9 CLIMATE CHANGE

9.1 The risks associated with the Council's roles in respect of climate change are captured at different levels, including in the CRR and other risk registers.

## 10 OTHER OPTIONS CONSIDERED

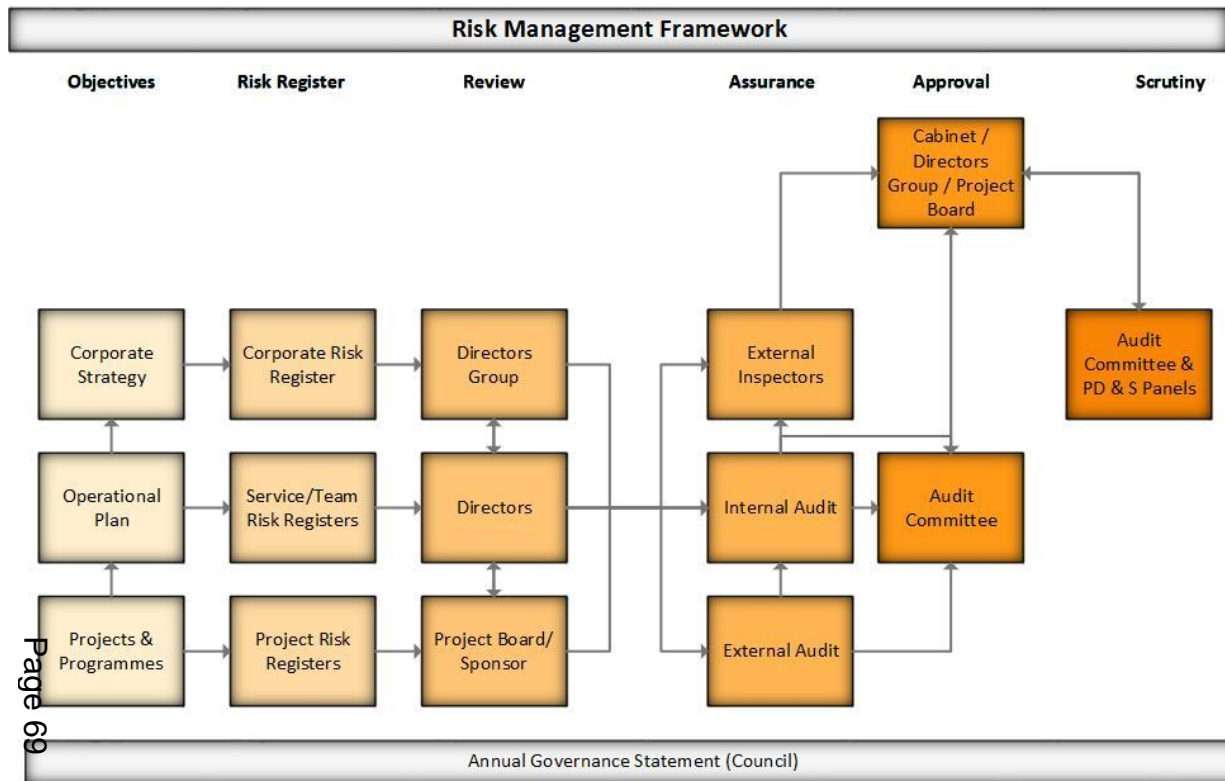
10.1 This is an update report, no decisions or recommendations are being proposed so no other options are being considered.

## 11 CONSULTATION

11.1 The report is an information and update report and has been consulted with the Council's S151 Officer.

<b>Contact person</b>	Jeff Wring – Director – One West
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## Risk Management Framework & Toolkit - Overview



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### Risk Registers

To assist the risk management process and to document the risk management cycle - risk registers are used / maintained. An important role of the register is to document the identification, assessment (analysis / evaluation), risk treatment and monitoring /view process. Two risk register templates using an Excel Spreadsheet format have been adopted.

- The first template is recommended for use by Services / Project Teams. This template uses three separate 'Worksheets' and enables more detailed actions to be recorded for monitoring purposes.
  - The first worksheet is used to document and assess the risks,
  - the second worksheet records actions (risk treatment), responsibilities and timescales, and removed text
  - the third worksheet is used to simply record all known 'Action Owners' which assists in the completion of the Action Plan.
- The second template is the Council's Risk Register 'Lite' version which enables a simplified approach but still requires risks to be documented and current status based on action implementation being recorded.

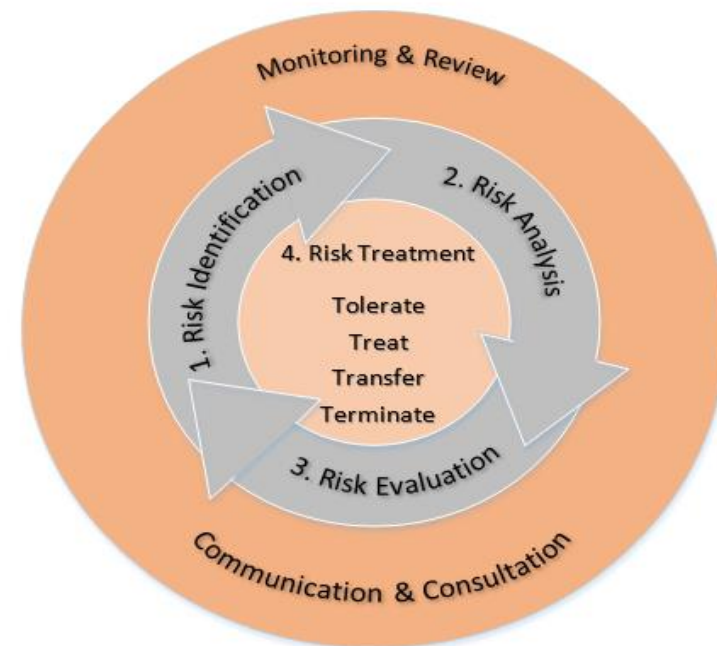
It is a requirement that those services or functions formally identified as Council 'critical' services for Business Continuity purposes adopt the more detailed risk register template.

The Risk Management Framework sets out the approach for implementing the Risk Management Strategy and integrating risk management into the culture and working practices of the organisation and its partners.

To work effectively the risk management framework requires: -

- Commitment from the Cabinet (Council), Corporate Audit Committee, Directors & Management Teams.
- Assignment, acceptance and adoption of roles & responsibilities
- Allocation of appropriate resources for providing support and advice.

### Risk Management Process



The risk management process is a constant process of identification, analysis & evaluation. On a regular basis (monthly / quarterly) teams should consider and review what might impact service delivery. Annually teams should review business plans, considering new initiatives / priorities and consider related risks.

## Risk Identification

It is the responsibility of Officers and Members to ensure risks are identified ("everyone is a risk manager"). It is essential that risks are accurately described recording the key elements:

Cause	If/As a result	As a result of snowfall,
Event	Then/ There is a risk that	There is a risk that staff cannot get to work,
Implication	So/ Which will result in	Which will result in being unable to provide key services to residents.

### Categories of risk

- Reputational Risks
- Political Risks
- Economic Risks
- Social Risks
- Customer/Citizen Risks
- Technological Risks
- Legal Risks
- Legislative/Regulatory Risks
- Environmental Risks
- Partnership/Contractual Risks
- Financial Risks
- Physical Risks

## Risk Analysis & Evaluation

The measurement of risk is calculated by assessing:

- IMPACT** – if the risk occurred
- LIKELIHOOD** – of the risk occurring

Each defined risk will be scored by assessing the 'Impact' on a scale of one to five and multiplying this figure by the score for 'likelihood' (also gauged on a scale of one to five). This 5 x 5 scoring matrix has been adopted by the majority of public sector bodies and is consistent with the national model adopted within the Emergency Services. The product of this calculation of impact and likelihood is a "Risk Score", which can range from a minimum of 1 to a maximum of 25.

## Assessment of Likelihood

1	Rare	0 – 5% chance of occurring
2	Unlikely	6 – 20% chance of occurring
3	Possible	21 – 50% chance of occurring
4	Likely	51 – 80% chance of occurring
5	Almost Certain (Highly Likely)	81 – 100% chance of occurring

		Likelihood					
		1	2	3	4	5	
		Rare	Unlikely	Possible	Likely	Almost Certain	
Impact	5	Critical	5	10	15	20	25
	4	High	4	8	12	16	20
	3	Medium	3	6	9	12	15
	2	Low	2	4	6	8	10
	1	Negligible	1	2	3	4	5

## Risk Management

The aim of the risk management process is to **Actively Manage** risks down the risk matrix in terms of their potential impact on the organisation from "Red to Amber" & "Amber to Green". When risks have been initially assessed and ranked within their relevant zones, there are four strategy options that are available. These options are often referred to as the 4 T's:

- Treat** - Take direct action, reduce the level of risk to an acceptable level.
- Tolerate** – Decision taken not to implement any additional controls
- Transfer** – Transfer the risk to another organisation by way of contractual agreement.
- Terminate** – Serious risk that the addition of controls or modifications does not reduce risk to acceptable level. At this stage withdrawal from the activity should be considered.

## Risk Monitoring & Review

Monitoring & review of risks and related actions plans will be carried out using the established forums (Performance Development Review meetings, 1:1 Performance Meetings, Team Meetings, and Management Meetings). It will be for Directors and Managers to agree the best way to communicate and consult on the maintenance of the risk management process. The Council's Internal Audit function will review risk management and the maintenance of internal control frameworks through their work.

## Assessment of Impact

		Service/Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	Negligible	Minimal disruption not impacting on an important service which can be resolved in less than a day	Up to 1% of budget	Litigation, claims or fines, Services up to £10k, Corporate £25k	Minimal impact to project / slight delay less than 1 week	Minimal or no impact on the Services Safeguarding or Duty of Care requirements.
2	Low	Brief disruption of important service area Service disruption 1 day	1% to 5% of budget	Litigation, claims or fines, Services up to £25k, Corporate £50k	Minimal impact to project / slight delay less than 2 weeks	Consideration needs to be given to Safeguarding or Duty of Care requirements but unlikely to have an adverse impact on meeting overall requirements.
3	Medium	Major effect to an important service area Service Disruption 2-3 Days	6% to 15% of budget	Litigation, claims or fines, Services up to £50k, Corporate £100k	Adverse effect on project / significant slippage 3 weeks – 2 months	There are Safeguarding or Duty of Care issues that may have an impact on meeting overall requirements.
4	High	Complete loss of an important service area Service Disruption 3-5 Days	16% to 25% of budget	Litigation, claims or fines, Services up to £125k, Corporate £250k	Significant impact on project or most or most of expected benefits fail / major delay 2 – 3 months	Significant impact on meeting Safeguarding or Duty of Care responsibilities.
5	Critical	Major loss of service, Service Disruption 5+ Days	More than 25% of budget	Litigation, claims or fines, Services up to £250k, Corporate £500k	Complete failure of project / extreme delay 3 months or more	Not meeting legal responsibilities, placing individuals at risk.

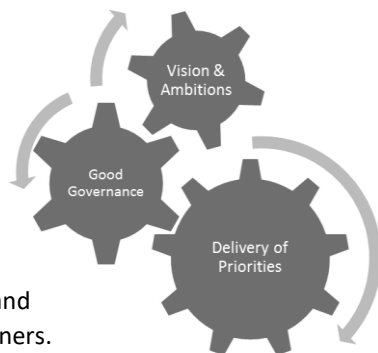
## What is a Risk?

**A Risk is an event or series of events which will adversely affect the ability to meet objectives – in part or in full. A risk can also be the failure to take advantage of opportunities to optimise the achievement of objectives.**

Effective Risk Management forms a key aspect of assurance and governance for an organisation. Risk Management is widely recognised as one of the '2nd Lines of Defence' alongside; Financial Control; Security; Quality/Performance Management; Inspection; & Compliance. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.

An effective risk management strategy and toolkit will therefore help to successfully support the Council's priorities, strategies and plans.

Risk management is an important component of delivering 'Good Governance'.



The toolkit aims to improve and maintain the integration of risk management into the culture and working practices of the organisation and its partners. It sits alongside the Risk Management Strategy which sets out the Council's risk management objectives and how these will be achieved and the milestones to be met when embedding risk management. The strategy is subject to an annual review to ensure that it remains up to date and continues to reflect the Council's approach to risk management.

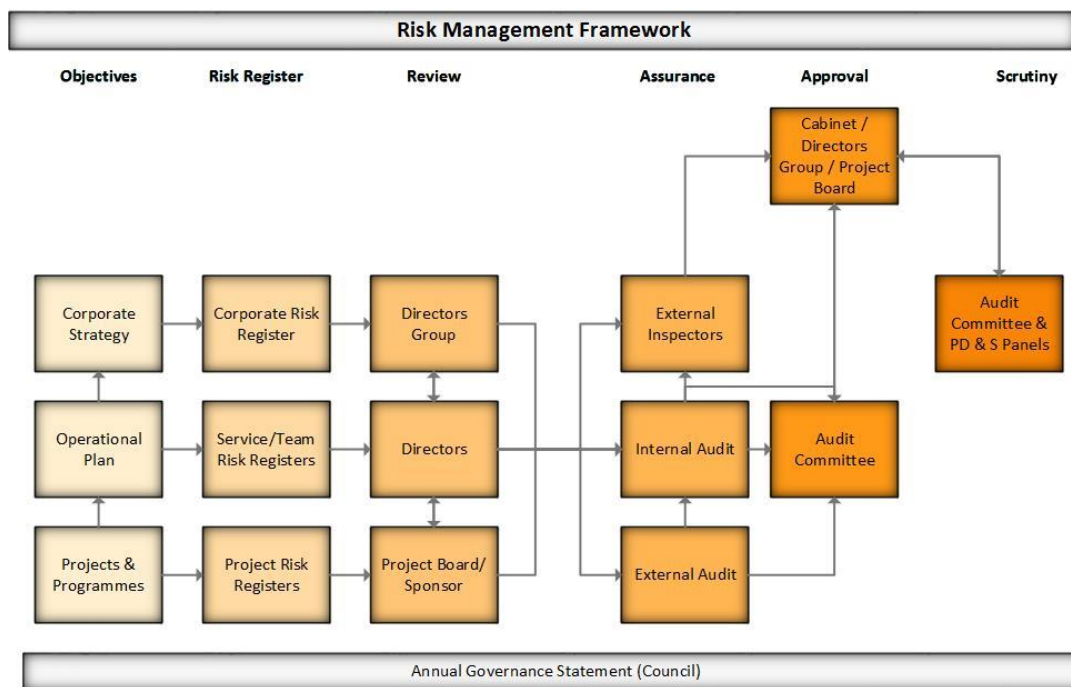
The objective of the toolkit is to explain the approach to risk management and outlines the risk management framework by which the organisation can view, manage and respond to risk, both threats and opportunities, in a robust, systematic and documented way.

The benefits gained in managing risk and opportunity are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved statutory compliance, meeting best practice and ultimately improving the services we deliver.

The Risk Management Framework sets out the approach for implementing the Risk Management Strategy and integrating risk management into the culture and working practices of the organisation and its partners.

To work effectively the risk management framework requires: -

- Commitment from the Cabinet (Council), Corporate Audit Committee, Directors & Management Teams.
- Assignment, acceptance and adoption of roles & responsibilities
- Allocation of appropriate resources for providing support and advice.



## Roles & Responsibilities

### Cabinet & Elected Members

- Oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement an all-encompassing approach to risk management.

### Corporate Audit Committee

- Provide independent assurance of the risk management framework and associated control environment, independent scrutiny of the Council and partners financial and non-financial performance, and oversee the financial reporting process.

### Directorate Management Teams

- Gain an understanding and promote the risk management process and its benefits, oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately.

### Directors

- Ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and officers.

### Service Managers

- Raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.

### Officers

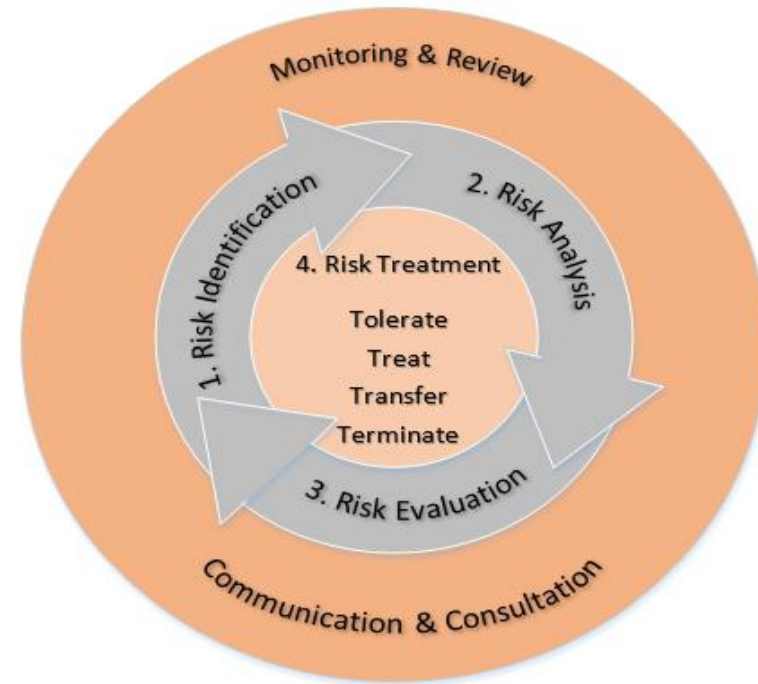
- Manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.

### Internal Audit

- Challenge the risk management process, including the identification and evaluation of risk and provide assurance to offices and members on the effectiveness of controls.

## Risk Management Process

The risk management process is a planned and systematic approach. The stages of the process are shown below.



<p><b>1. Risk Identification</b></p> <p><i>Describing the risks and recording them in risk registers.</i></p>	<p><b>2. Risk Analysis</b></p> <p><i>Estimating the likelihood and impact of risks</i></p>
<p><b>3. Risk Evaluation</b></p> <p><i>Ascertain whether the risks are within the organisations "Risk Appetite"</i></p>	<p><b>4. Risk Treatment</b></p> <p><i>Actions to reduce the likelihood or impact of the risks to a level which is acceptable</i></p>



## Risk Management Toolkit – Risk Registers

To assist the risk management process and to document the risk management cycle - risk registers are used / maintained. An important role of the register is to document the identification, assessment (analysis / evaluation), risk treatment and monitoring /view process. **Two risk register templates using an Excel Spreadsheet format have been adopted. It is a requirement that those services or functions formally identified as Council 'critical' services for Business Continuity purposes adopt the more detailed risk register template.**

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  1. The first worksheet is used to document and assess the risks,
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  3. the third worksheet is used to simply record all known 'Action Owners' which assists in the completion of the Action Plan.

Below is an example of a completed line of a risk register, further explanations on how to complete each section can be found on page 2 of this document. The risk is recorded with a Cause, Event & Implication.

Nr	Description <small>Sort in Nr. Order</small>	Date Entered on Register	Likelihood					Impact					This Period	Periods Ago			Current Status of Actions	Commentary on Current Status of Action Plans	
			1	2	3	4	5	1	2	3	4	5		1	2	3			
			L	M	H	L	M	H	L	M	H								
R01	Due to an event / incident, e.g. significant snowfall, staff cannot get to their normal place of work potentially resulting in an inability to provide services to residents / clients / visitors.	01-Jan-19			3							4		12				On Target	As Business Critical Service - Discussions with the councils BC lead and meeting booked in to develop service plans.

The risk is then also copied to the action plan, to detail the status of each of the risks.

Unique ref no	Nr	Risk Description (Copy from 'Risk Register' Worksheet)	Action	Management Action	Action Owner	Implement By?	Implementation Status
R01.1	R01	Due to an event / incident, e.g. significant snowfall, staff cannot get to their normal place of work potentially resulting in an inability to provide services to residents / clients / visitors.	01	Informal or formal Service / Team Business Continuity Plan (formal BCP for specified critical services) to include mitigations for such an event / incident	J Bloggs	01-Apr-19	On Target
			02				

- **The second template is the Council's Risk Register 'Lite' version** which enables a simplified approach but still requires risks to be documented and current status based on action implementation being recorded.

Number	SERVICE / TEAM RISK DESCRIPTION (Description of 'event' & 'implication')	RISK OWNER	Likelihood					Impact					CURRENT RISK STATUS	PERIODS AGO			COMMENTARY ON ACTION PLAN (e.g. actions implemented /outstanding; implementation of actions to timescales)	
			1	2	3	4	5	1	2	3	4	5		1	2	3		
			Score					Score										
1	Due to an event / incident, e.g. significant snowfall, staff cannot get to their normal place of work potentially resulting in an inability to provide services to residents / clients / visitors.	J Bloggs			3							4		High				Informal or formal Service / Team Business Continuity Plan (formal BCP for specified critical services) to include mitigations for such an event / incident

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- Treat** - Take direct action, reduce the level of risk to an acceptable level.
- Tolerate** – Decision taken not to implement any additional controls
- Transfer** – Transfer the risk to another organisation by way of contractual agreement.
- Terminate** – Serious risk that the addition of controls or modifications does not reduce risk to acceptable level. At this stage withdrawal from the activity should be considered.

## Risk Monitoring & Review

Monitoring & review of risks and related actions plans will be carried out using the established forums (Performance Development Review meetings, 1:1 Performance Meetings, Team Meetings, and Management Meetings). It will be for Directors and Managers to agree the best way to communicate and consult on the maintenance of the risk management process. The Council's Internal Audit function will review risk management and the maintenance of internal control frameworks through their work.

## Assessment of Impact

		Service/Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	Negligible	Minimal disruption not impacting on an important service which can be resolved in less than a day	Up to 1% of budget	Litigation, claims or fines, Services up to £10k, Corporate £25k	Minimal impact to project / slight delay less than 1 week	Minimal or no impact on the Services Safeguarding or Duty of Care requirements.
2	Low	Brief disruption of important service area Service disruption 1 day	1% to 5% of budget	Litigation, claims or fines, Services up to £25k, Corporate £50k	Minimal impact to project / slight delay less than 2 weeks	Consideration needs to be given to Safeguarding or Duty of Care requirements but unlikely to have an adverse impact on meeting overall requirements.
3	Medium	Major effect to an important service area Service Disruption 2-3 Days	6% to 15% of budget	Litigation, claims or fines, Services up to £50k, Corporate £100k	Adverse effect on project / significant slippage 3 weeks – 2 months	There are Safeguarding or Duty of Care issues that may have an impact on meeting overall requirements.
4	High	Complete loss of an important service area Service Disruption 3-5 Days	16% to 25% of budget	Litigation, claims or fines, Services up to £125k, Corporate £250k	Significant impact on project or most or most of expected benefits fail / major delay 2 – 3 months	Significant impact on meeting Safeguarding or Duty of Care responsibilities.
5	Critical	Major loss of service, Service Disruption 5+ Days	More than 25% of budget	Litigation, claims or fines, Services up to £250k, Corporate £500k	Complete failure of project / extreme delay 3 months or more	Not meeting legal responsibilities, placing individuals at risk.

## Risk Management Toolkit - Decision-Making Process

### Why is Risk Management Important in Decision Making?

Corporate governance requires that risk management be integral to policy, planning and operational management. Applying risk management processes will help strategic decision makers make informed decisions about of policy decisions and service delivery options.

Decision makers need to be satisfied that the risks and opportunities related to proposals are fully considered. It is important that all those involved in the decision-making process have consciously analysed the proposal.

In addition to the decision maker obtaining a level of assurance that proposals requiring a decision has been subject to a robust risk assessment, it is an important principle of good governance that the decision making process can be subjected to effective scrutiny (Accountability). Decision makers can be held accountable for decisions internally by for example: - Full Council, Statutory Officers, Overview & Scrutiny Panels and externally by Government Inspections, the Local Government Ombudsman and members of the public & press (via Freedom of Information requests). They will want to see that the decision and the information used to make the decision are documented and accessible, i.e. the decision is 'informed' and 'transparent'.

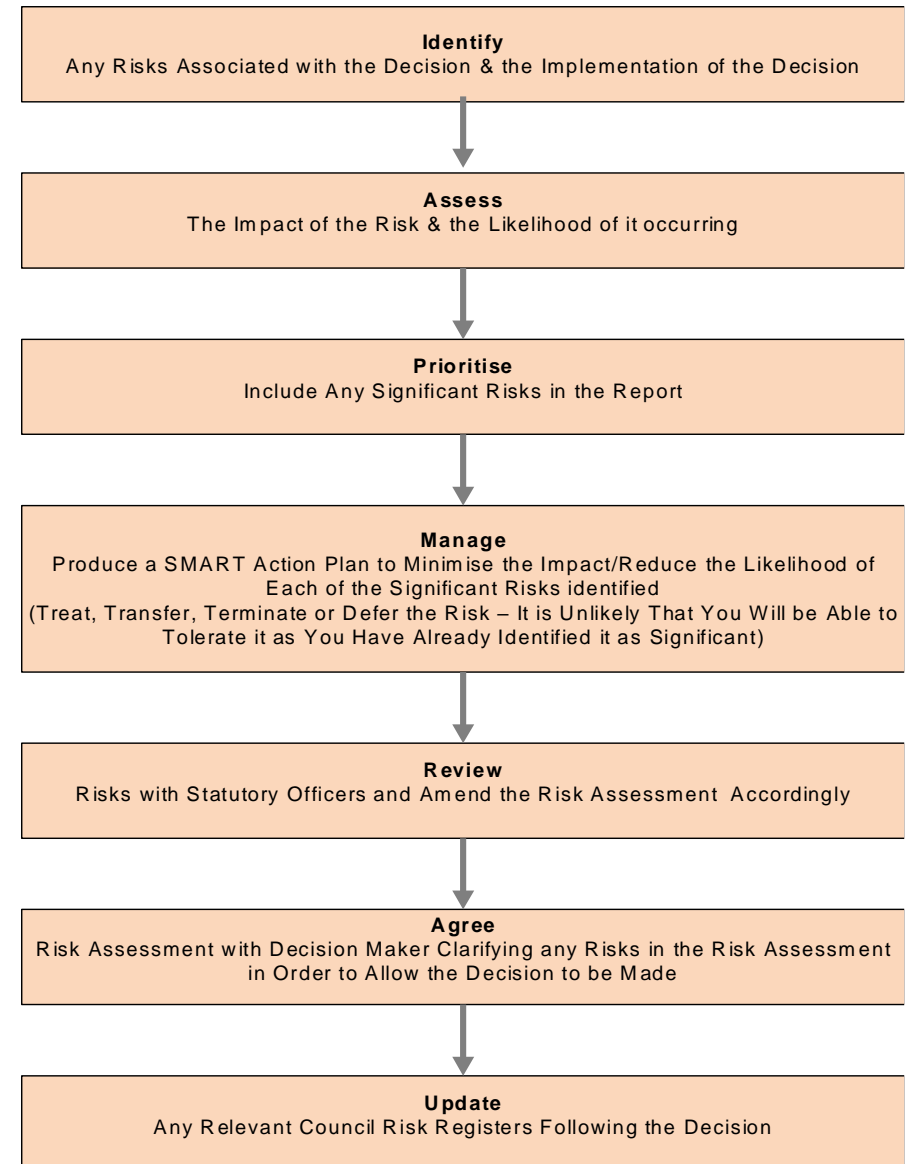
### How is Risk Management Incorporated into the Council's Decision-Making Process?

The principles of risk management relating to decision making are the same as for any other risk management process. The diagram below outlines the process.

Cabinet and Committee report templates include a section 'Risk Management'. The section requires the report author to record 'significant' risks identified after carrying out a risk assessment. The risk assessment must record the risks related to taking the proposed actions / recommendation(s), i.e. the risks of implementation, and the risks of not taking the recommended action.

Any opportunities flowing from the proposal will be recorded in the 'Report' section of the report template.

### How do you Assess Risks Related to a Decision?



### What is the purpose of the risk assessment?

The risk assessment:

- Demonstrate that all significant risks related to the decision have been considered.
- Provides evidence that the decision maker has been provided with sufficient information about risks in terms of probability and impact
- Explain how the risks will be managed.

### What will the risk assessment record?

The risk assessment should record:

- Risks that may arise if the decision is **not** taken.
- Risks that may arise if the decision **is** taken.
- Actions that will be taken to manage each risk documented if the decision is taken.

### Who needs to be involved in compiling the risk assessment?

- Report Author
- Head of Paid Service (Chief Executive)
- S151 Officer (Chief Financial Officer)
- Monitoring Officer (Head of Legal & Democratic Services)
- Cabinet Member (including Leader)
- Director

### Who needs to be involved in compiling the risk assessment?

The report author will take the lead in compiling the risk assessment using a template.

The report author in consultation with the appropriate Director(s) should review the report and the risk assessment.

The report and risk assessment will be made available to the Statutory Officers: -

- Head of Paid Service
- The Chief Finance Officer/ Section 151 Officer
- The Monitoring Officer

### Statutory Officers Responsibilities

Statutory Officers or their nominated deputies will amend the risk assessment and identify risks that should be considered 'significant' and be recorded in the 'Risk Management' section of the report.

### Cabinet Member Responsibilities

The Cabinet Member responsible for the decision should review the risk assessment and ask the following questions:

- Are there other risks related to the decision which have not been identified and assessed?
- Do they agree with the assessment of the risks that have been documented?
- Do they agree that the recorded actions to manage the documented risks are adequate?

### Does every report require a Risk Assessment?

It is the responsibility of the report author to ensure that the risk assessment is sufficient for its purpose.

### Do all risks in relation to the proposal have to be recorded?

The risk assessment should be proportionate to the decision being made. The report author and others involved in the risk assessment process should consider the impact of the risk when deciding whether it should be recorded or not. If the impact is negligible or low then it is reasonable that the risk is not recorded.

### Will the Risk Assessment be available to the public?

The risk assessments will be held centrally and will not be automatically accessible to the public. However, risk assessments will be subject to the normal rules of disclosure under the Freedom of Information Act 2000 and other relevant legislation.

## Risk Management Toolkit – Service / Business Planning, Budget Setting & Business Continuity

### Service / Business Planning & Budget Setting

One of the keys to successfully embedding risk management is ensuring that it is explicitly linked to business planning. In a properly embedded process, remedial action should take place to mitigate those risks which managers believe are insufficiently controlled, i.e. where the residual risk exceeds the target risk.

Effective management of risks can only be achieved through the effective management of resources. Where control weaknesses are identified which create an unacceptable exposure to risk, resources should be allocated to 'plugging the gap'. This can take a variety of forms, depending upon the nature of the risk, the existing controls, and magnitude of the exposure.

Currently on an annual basis each Directorate will undertake a robustness of estimates and adequacy of resources review. This process feeds into the s151 Report to the Council on the robustness of estimates and the adequacy of reserves. As part of the process key risks are considered and actions documented.

Those controls currently in place may require strengthening, or new ones may need introducing. For example, it could be that an ICT solution is required to improve efficiency or enable additional monitoring; or possibly the feasibility of the service being provided by a partner instead of directly by the Council. These examples have a cost, some of which may be financial, some of which may have an opportunity cost. As a result, it is important that managers retain flexibility in their service and financial planning to enable developing risks to be managed. The converse may also apply; the risk process could identify risks which are over-controlled. Savings may be achieved by reducing the control environment, saving money and / or enabling the re-direction of staff to other areas to improve service delivery.

The relevant Service / Team/ Project risk register should be used to record business planning risks and actions planned / taken possibly including a description of the source of funding to strengthen controls. The result will be a concise analysis of the nature of the risk exposure, the response to the problem and the financing of the solution. Where budget variances occur as a result of the additional expenditure, the risk management documents can provide a concise and robust explanation to support this.

Business plans should be updated based on the results of risk assessments undertaken. Risk management should not be viewed in isolation, but should be used as an important tool to inform the business planning process. What we learn now should help us identify what we will do in the future, how we will achieve it, and the problems we may encounter. This will ensure that the risks and mitigations identified are considered and included in subsequent plans. The benefit will be that business plans are as relevant and accurate as possible, and contribute effectively to the achievement of objectives and the delivery of the outcomes required.

### Business Continuity

Good Business continuity management within the Council involves detailed planning to help maintain the most critical services provided in the event of an interruption until it returns to "Business as Usual".

Within any risk register there will be many risks that could have a major impact on service delivery. It is, however, not always possible to mitigate these risks, therefore it is important that the service examines these risks in detail in advance, and develops a Business Continuity plan, which can be used to enable services to continue should an incident occur. An example of this could be where staff are unable to access offices due to an event such as adverse weather, fire or a flood.

Those services assigned 'Critical' status will need to operate to an agreed minimum acceptable level until business as usual has resumed. A plan needs to be developed to enable a plan of action to be implemented with minimum delay.

The business continuity plan needs to be developed in advance of an incident, because often with a little forethought many of the more serious consequences of an incident can be mitigated. This plan will be generic in so far as the basic information that it contains can be used to cover many different risk eventualities. As a service provider, continuity of service is vital for our customers and clients.

The Council has appropriate business interruption insurance in place to cover the cost associated with a major incident











Nr	Service Area	Risk Description	Director Lead	Inherent Risk - Pre Action						Mitigations & Management	Action Plans	Residual Risk - Post Action						Risk Management Approach & Assessment					
				Likelihood			Impact			Commentary on Current Status of Action Plans	Current Status	Likelihood			Impact			This Period	Risk Maturity	Risk Tolerance	Risk Change		
				1	2	3	4	5	1			2	3	4	5	1	2					3	4
			Officer Lead	L	M	H	L	M	H			L	M	H	L	M	H						
020	Resource	Corporate Governance - Risk that the Council's reputation is severely damaged or subject to legal challenge arising from a failure in Corporate Governance, i.e. inability to make essential decisions or failure to engage key stakeholders in key decisions or changes to service delivery	Andy Rothery, Michael Hewitt, Jeff Wring			4			4	Constitutional refresh completed through a Member working group, LGA Training offered and carried out. Following elections new roles all now allocated and new administration and committee's set-up and in full operation with support and training from officers. All meetings operating to latest rules and guidance with no decision making issues. Previously concerns raised with regard to decision making at WCEA which is relevant to Risk 3 above but there are no significant concerns internally with our own processes. Major new improvement programme about to start on Financial Governance (Financial Systems) which will include review and refresh of Financial Regulations and Contract Standing Orders and associated governance procedures.	On Target	1						3		3	Minimal	Low	No Change
020	Resource	Pensions & Financial Stability - Risk that we do not carry out our statutory duties in relation to the administration and governance of the Avon Pension Fund leading to significant financial risk for employers & the administering authority (B&NES) - (Fund is a top 10 Fund in LGPS with a value in excess of £5.5BN)	Jeff Wring/ Nick Dixon		3				5	B&NES has established a Pensions Committee, Investment Panel, Pensions Board and entered pooling with Brunel Pensions Partnership Ltd. The fund is over £5.5BN with over 450 employers and the latest 3 year valuation exercise has been completed which establishes level of deficits/surpluses plus detailed analysis of employer costs (Achieved funding at 98%) Investment Strategy has also been approved in April 2023 and key activity currently revolves around risk management strategies to manage economic volatility and significant work ongoing to increase the opportunities of contributing to the 2030 net zero targets. This continues to attract continued scrutiny from employers within the Fund and put pressure on governance mechanisms and remains the most significant risk to the viability of the Fund in the short and long-term (Cash Flow etc). A revised risk management strategy has been endorsed with Investment Panel during Q2 and extensive employer and member engagement sessions around our Net Zero targets have commenced in Q2 and completed in Q3 with a review by Pensions Committee at its December 2023 meeting which accelerated Net Zero Targets and Investment in Climate friendly technology.	On Target		2					4		8	Minimal	Low	Improving

## **Decision Making - Risk Assessment Guidance**

### **Why is Risk Management Important in Decision Making?**

Corporate governance requires that risk management be integral to policy, planning and operational management. Applying risk management processes will help strategic decision makers make informed decisions about of policy decisions and service delivery options.

Decision makers need to be satisfied that the risks and opportunities related to proposals are fully considered. It is important that all those involved in the decision making process have consciously analysed the proposal.

In addition to the decision maker obtaining a level of assurance that decisions and the implementation of recommendations has been subject to a robust risk assessment, it is an important principle of good governance that they can be subjected to effective scrutiny (Accountability). Decision makers can be held accountable for decisions internally by Overview & Scrutiny Reviews and externally by Government Inspections, the Local Government Ombudsman and members of the public & press (via Freedom of Information requests). They will want to see that the decision and the information used to make the decision are documented and accessible, i.e. the decision is 'informed' and 'transparent'.

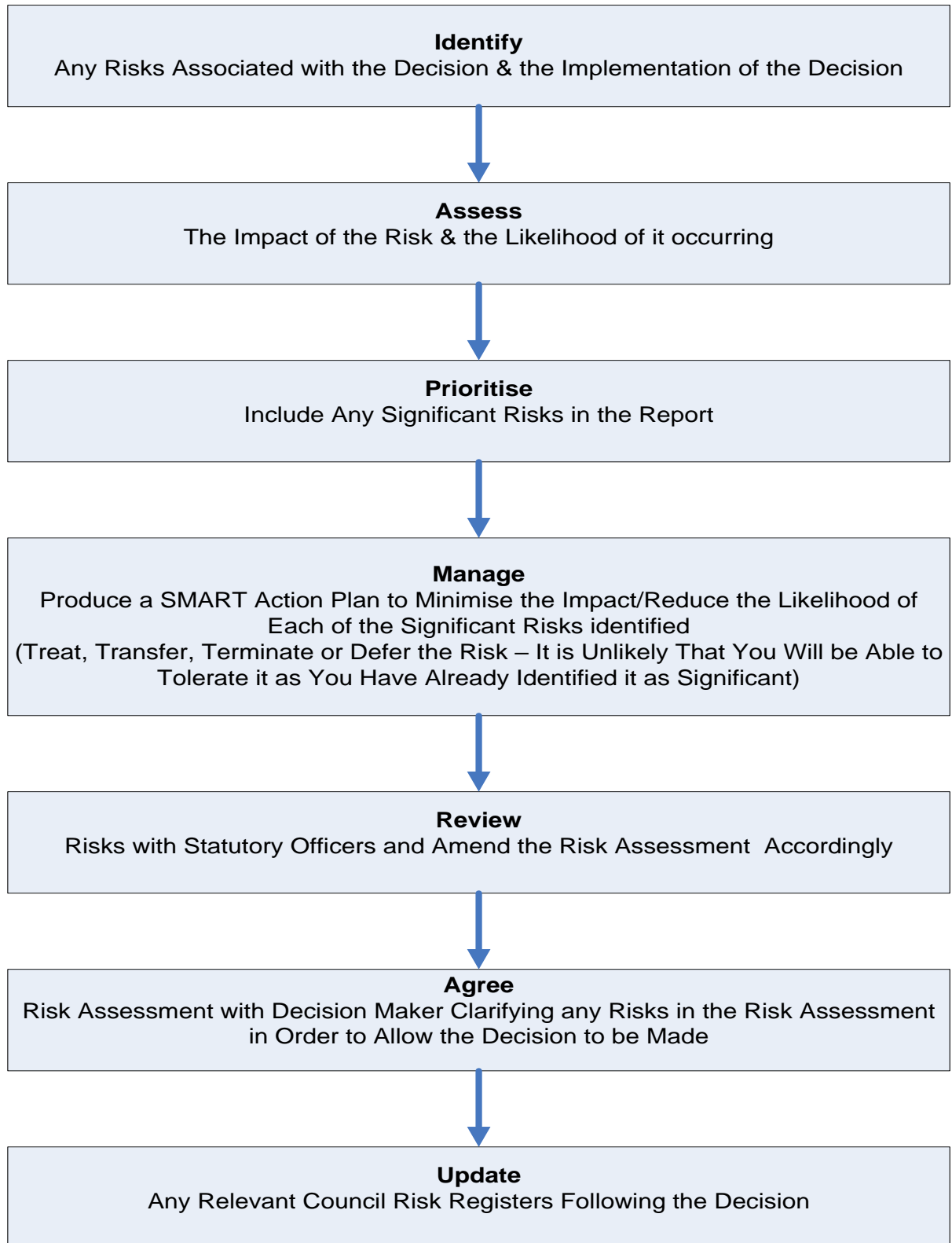
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## Who needs to be involved in compiling the risk assessment?



The report author will take the lead in compiling the risk assessment and they will decide on the format of the 'risk assessment'.

The report author in consultation with the appropriate Director(s) should review the report and the risk assessment.

The report and risk assessment will be made available to the Statutory Officers:-

- The Head of Paid Service (Chief Executive)
- The Chief Finance Officer /s151 Officer (Strategic Director - Resources & Support Services)
- The Monitoring Officer (Council Solicitor)

Statutory Officers should consider the adequacy of the risk assessment and challenge / contribute as necessary.

The Cabinet Member responsible for the decision should review the risk assessment and ask the following questions:

- Are there other risks related to the decision which have not been identified and assessed?
- Do they agree with the assessment of the risks that have been documented?
- Do they agree that the recorded actions to manage the documented risks are adequate?

### **Does every report require a risk assessment?**

It is the responsibility of the report author to ensure that the risk assessment is sufficient for its purpose.

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### **Will the risk assessment be accessible to the public?**

The risk assessments will be held centrally and will not be automatically accessible to the public. However, risk assessments will be subject to the normal rules of disclosure under the Freedom of Information Act 2000 and other relevant legislation.

<b>Bath &amp; North East Somerset Council</b>		
<b>MEETING:</b>	<b>Corporate Audit Committee</b>	
<b>MEETING DATE:</b>	<b>7<sup>th</sup> February 2024</b>	<b>AGENDA ITEM NUMBER</b>
<b>TITLE:</b>	<b>Audit Committee – Draft Workplan</b>	EXECUTIVE FORWARD PLAN REFERENCE: <b>E</b>
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Appendix 1 – Draft Workplan 23/24</b>		

## **1 THE ISSUE**

1.1 The draft workplan for the Committee is attached at Appendix 1 for comment.

## **2 RECOMMENDATION**

2.1 The Corporate Audit Committee is asked to –

Note the 2023/24 workplan for the Committee subject to any proposed amendments.

## **3 FINANCIAL IMPLICATIONS**

3.1 There are no new financial implications from this report directly.

## **4 THE REPORT**

4.1 The workplan for the Committee ensures that the terms of reference for the Committee are appropriately delivered. Appendix 1 details the current workplan which is kept under ongoing review and the Committee is asked to note this, subject to any comments or proposed amendments.

## **5 RISK MANAGEMENT**

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

## 6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

## 7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

<b>Contact person</b>	Jeff Wring, Director – One West (01225 477323)
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	



**Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2023/24**

<b>Date of meeting</b>	<b>Report title</b>	<b>Requirement &amp; Purpose (TOR)</b>
<i>5<sup>th</sup> July 2023</i>	<p>External Audit Plan for Council 2022/23</p> <p>Treasury Management Outturn 2022/23</p> <p>Internal Audit Annual Report 2022/23</p> <p>Audit Committee Annual Report 2022/23</p>	<p>To Approve – Oversight of work of External Auditor</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Approve &amp; Recommend to Council – Report back to Council on delegation of responsibility</p>
<i>1<sup>st</sup> November 2023</i>	<p>Annual Accounts 2022/23 – Informal Briefing</p> <p>ADL Accounts 2022/23 Update</p> <p>External Audit Plan for Pension Fund 2022/23</p> <p>External Audit Plan for VFM Assessment 2021/22 &amp; 2022/23</p> <p>Treasury Management 6 month update 2023/24</p> <p>IA 6 month Performance Report update 2023/24</p>	<p>To Note – Approval of Accounts &amp; Oversight of Financial Governance</p> <p>To Note – Financial Oversight of Council Owned Companies</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve – Oversight of work of External Audit</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p>
<i>22<sup>nd</sup> November 2023</i>	<p>2022/23 External Audit Findings &amp; Accounts &amp; Annual Governance Statement Approval</p> <p>2021/22 and 2022/23 External Audit Annual Report (Including VFM Assessment Report)</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Approve Accounts – Approve Accounts on behalf of Council</p> <p>To Note – Oversight of work of External Audit</p>

<p><i>7<sup>th</sup> February 2024</i></p>	<p>Treasury Management Strategy 2024/25 Consultation</p> <p>Internal Audit Plan 2024/25 Consultation</p> <p>Risk Management Update Report</p>	<p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management arrangements</p>
<p><i>1<sup>st</sup> May 2024</i></p>	<p>External Audit Plan for Council &amp; Avon Pension Fund 2023/24</p> <p>Internal Audit 2023/24 Annual Report</p> <p>Internal Audit Plan 2024/25 Approval</p> <p>Risk Management Update Report</p> <p>Counter-Fraud Annual Report &amp; Presentation</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Approve – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management arrangements</p> <p>To Note – Oversight of Risk Management arrangements</p> <p>To Note – Oversight of work of Internal Audit (Financial Governance &amp; Risk Management)</p>