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Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

Tuesday, 19 July 2022

6.00 pm

The Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Democratic Services:	**Jayne Clarke**	**01952 383205**
Media Enquiries:	**Corporate Communications**	**01952 382406**
Committee Members:	**Councillors N A M England (Chair), V J Holt, J E Lavery, A Lawrence, C F Smith (Vice-Chair), W L Tomlinson and B Wennington**	

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3.0	**Minutes of the Previous Meeting**	**(3 - 8)**
	To confirm the minutes of the previous meeting.	
4.0	**Treasury Management - 2021/22 Annual Report and 2022/23 Update**	**(9 - 36)**
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9.0 PSIAS External Assessment Outcome **(77 - 80)**

10.0 Exclusion of the Press and Public

It is recommended that the press and public be excluded from the meeting for the remaining item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

11.0 Update on Fraud Prevention work

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Thursday, 26 May 2022 at 6.00 pm in Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Present: Councillors N A M England (Chair), V J Holt, J E Lavery, C F Smith (Vice-Chair) and B Wennington

In Attendance: K Clarke (Director: Finance & Human Resources), T Drummond (Principal Auditor), P Harris (Finance Manager, Corporate & Capital Finance) A Lowe (Director: Policy & Governance), R Montgomery (Audit & Governance Lead Manager), G Patterson (Grant Thornton), K Robinson (Senior Democracy Officer (Scrutiny)), D Rowley (Grant Thornton)

Apologies: Councillors W L Tomlinson

AU26 Declarations of Interest

None.

AU27 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 25 January 2022 be confirmed and signed by the Chair.

AU28 Review of the Terms of Reference for the Committee

Following an introduction to the report by the Audit & Governance Lead Manager it was:

RESOLVED – that Members of the Audit Committee note and recommend the terms of reference attached to the report as Appendix 1 be adopted by the Council at their May 2022 meeting.

AU29 External Audit Plan for the Year Ending 31 March 2022

The Council's external auditors Grant Thornton, represented by Grant Patterson and David Rowley, presented the External Audit Plan for the year ending 31 March 2022.

The auditors provided an overview of how the report was set out and how NuPlace was accounted for within the audit. The auditors had looked at the Council's control environment assessing where any risks may exist.

In terms of valuation of land and buildings, the auditors had relied on in house specialists but had also consulted an expert on valuation to give a view on the firm's underlying assumptions to form a view on how reasonable they were.

It was not believed there was a high possibility for material fraud and this was strengthened by a strong control environment. .

<u>RESOLVED</u> – that the report be noted by the Committee.

AU30 <u>Informing the Audit Risk Assessment for Telford & Wrekin Council 2021/22</u>

Grant Patterson, representing Grant Thornton, presented the report to the Committee.

The auditors, as part of their planning work, had to understand risk and governance within the organisation. They had discussed these matters with the Council's management and produced the report. Members were asked to confirm that the report was in line with their view on the organisation by noting the report.

<u>RESOLVED</u> – that the report be noted by the Committee.

AU31 <u>ISA 540 Estimates Letter</u>

Grant Thornton's representative presented the report.

Auditing standards had changed and there was more emphasis on investigation and challenging. Auditors were meant to understand systems and processes within the council and to record them. The report documented the auditors letter to the Council and management's response to the questions contained within.

<u>RESOLVED</u> – that the report be noted by the Committee.

AU32 <u>2021/22 Annual Governance Statement including a review of the Local Code of Good Governance</u>

The Audit & Governance Lead Manager presented the report.

Regulations required the Council to produce an annual governance statement. The report included an action plan to ensure the Council continued to improve on its existing governance arrangements. The Authority had a robust framework in place and this was continually under review.

Assurance was obtained via a number of measures such as governance certification by service area, sampling, scrutiny, and internal and external auditing.

The Council was also required to have a Local Code of Good Governance. This had been approved by the Committee previously. The Code was attached at appendix 2. There were no updates except for changes to job titles.

RESOLVED – that

a) **Members of the Audit Committee approve the Annual Governance Statement 2021/22, attached as Appendix 1 (including Annex 1), and note the information in the report.**

b) **Members of the Audit Committee approve the Local Code of Good Governance (Appendix 2).**

AU33 Draft Statement of Accounts 2021/22

The Committee received the report from the Finance Manager.

Authority to review and approve the Statement of Accounts had been delegated to the Audit Committee. The draft statement was presented to start the process for the year to March 2022. The aim was to bring the report to Committee again in November 2022 and Members could raise queries and comments with officers in the meantime.

In December 2021, the Department for Levelling Up, Housing and Communities had announced their intention to amend deadlines to the accounting process. The expectation was that the Council would have to publish its Statement of Accounts by 30 November. There was also a period of public inspection; this had to begin either by or on 1 August.

Grant Thornton would begin the main work on 20 June.

RESOLVED – that the report be noted by the Committee.

AU34 Internal Audit Update Report

The report was to update Members on the Council's internal audit work. Sixteen reports had been issued; three had since been followed up. The table in the report set out reports and follow-ups. There had been two unplanned pieces of work for the team looking at vaccine and food programme grants.

A question was posed:
The Horsehay Bar report was highlighted red with a follow up due in September 2022, could officers provide an update?

The September follow up was to allow for changes to be implemented and transactions to take place, this would allow for testing. There was an action plan that was being worked on. Members would be briefed on the updated position.

RESOLVED – that Members of the Audit Committee note the information contained in this report in respect to Internal Audit planned work undertaken between 1 January 2022 – 30 April 2022 and unplanned work to date.

AU35 Internal Audit Report 2021/2022 & the Audit Committee Annual Report 2021/2022 & The 2022/23 Annual Audit Plan

The report set out the operations of the Committee and the Annual Audit Plan. Section 5 of the report was the annual update; this was provided as reasonable assurance in the Annual Governance Statement.

The team had achieved 50% of the audit plan and some items had been rescheduled to the new plan.

There had been an increase in legal and financial recommendations but a decrease in policy and procedure recommendations. The figures were comparable to the 2019/2020 figures. The change in working practices during the pandemic were thought to be a reason for this. The results of the internal assessment were to be reported at the next Committee meeting.

Section 7 set out the Annual Audit Report, showing work completed in 2021/2022. Section 8 was the Audit Plan for 2022/2023; the plan was attached as an appendix to the report. The 2022/2023 plan had been developed according to a risk-based approach, looking at areas previously identified.

The document was dynamic and updated as new risks were identified. Any updates would be reported to the Committee at the nearest opportunity.

RESOLVED – that

a) Members of the Audit Committee note the Internal Audit Annual Report for 2021/22;

b) Members of the Audit Committee note the operations of the Audit Committee for 2021/22 attached at Appendix 2; and

c) Members of the Audit Committee approve the Internal Audit Plan 2022/23 attached as Appendix 3.

AU36 Information Governance & Caldicott Guardian Annual Report 2021/22

The Audit & Governance Lead Manager presented the report to the Committee.

The report set out the work of the information governance team in 2021/2022 and sought approval for the 2022/2023 information governance work programme.

In 2021/2022 there had been more Freedom of Information requests than in the previous municipal year. The Council had improved in terms of responding to these within the legislative deadline. The Information Commissioner's benchmark for good practice was to respond to 90% within the legislative timeframe and Telford & Wrekin had achieved that.

A small number of referrals had been made to the Information Commissioner's Office (ICO) where requesters were unhappy with the Council's response. However, the ICO had ruled that these did not require further action.

There had been 137 data requests in 2021/2022. This was a small reduction on the previous year. The majority of these requests were from individuals involved in the care process at the Council. 25,000 pages of social care information had been read and redacted. The Authority's response time had dipped but was close to the 90% ICO benchmark.

The Council had self-reported one data breach to the ICO in 2021/2022, the ICO, however, were satisfied with the response to the breach and no further action was necessary.

Section 6 of the report set out the work of the Caldicott Guardian.

Appendix 1 to the report set out the progress made on the 2021/2022 work programme. Appendix 2 set out the 2022/2023 work programme for approval.

RESOLVED – that

a) **Members of the Audit Committee note the Information Governance & Caldicott Guardian Annual Report for 2021/2022.**

b) **Members of the Audit Committee agree the IG Work Programme for 2022/23.**

AU37 Corporate Anti-Fraud & Corruption - 2021/22 Annual Report & Policy

Members were informed that the report was an annual update on the Council's anti-fraud work. The Committee's terms of reference stated that they must approve the anti-fraud policy and monitor its operation. The policy was not at the meeting; it was tabled at Committee biennially and had been approved in the previous year.

The report for 2021/2022 included counter-fraud activities, internal audit, and public protection work.

Council procedures were designed to minimise fraud and work was done on fraud prevention with training and newsletters.

Section 13 of the report set out extra information on cyber fraud.

RESOLVED – that the Audit Committee notes the 2021/22 Annual Report on Corporate Anti-Fraud and Corruption activity.

AU38 Outline of Audit Committee Business for 2022/23

The report laid out the business for the Committee for the 2022/2023 municipal year.

The meeting ended at 6.43 pm

Chairman: ....

Date: Tuesday, 19 July 2022

Telford & Wrekin Co-operative Council

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Audit Committee

19th July 2022

Treasury Management – 2021/22 Annual Report and 2022/23 Update

Cabinet Member:	**Cllr Rae Evans – Cabinet Member: Finance, Governance & Customer Services**
Lead Director:	**Ken Clarke – Director: Finance & Human Resources (Chief Financial Officer)**
Service Area:	**Finance**
Report Author:	**Ed Rushton**
Officer Contact Details:	**Tel: 01952 383750** **Email:** edward.rushton@telford.gov.uk
Wards Affected:	**Non specifically**
Key Decision:	**No**
Forward Plan:	**Not applicable**
Report considered by:	

1.0 Recommendations for decision/noting:

1.1 Audit Committee Members are asked to -

- note the contents of the report, and
- note the performance against Prudential Indicators.
- recommend the Report to Full Council

2.0 Purpose of Report

2.1 This report updates members on the outcome of Treasury Management activities for 2021/22 and details the position for 2022/23 to 31st May 2022.

3.0 Background

3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

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

- an annual treasury strategy in advance of the year
- a mid-year, treasury update report
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was provided on 25/01/2022 in order to support members' scrutiny role.

4.0 Summary of main proposals

4.1 **2021/22 Treasury Outturn**

Treasury portfolio

	31.03.2021 £m	31.03.2022 £m	Movement £m
Borrowing (excl. PFI)	281.1	282.7	1.6
Investments (excl. NuPlace)	(20.7)	(36.5)	(15.8)
Net indebtedness	**260.4**	**246.2**	**(14.2)**

Borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The total value of assets held by the Council at 31 March 2022 was £788.4m some £505.7m greater than debt outstanding.

Borrowing Strategy

The borrowing strategy for 2021/22 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Maintaining high levels of cheap temporary borrowing has contributed to surplus treasury management returns of more than £30m since 2015/16 which has reduced the impact of Government cuts and therefore helped to protect frontline services.

Borrowing (excluding PFI) was £1.7m higher at 31 March 2022 compared to 31 March 2021 in part due to an increase in investments held. Short term borrowing was taken during the year at favourable interest rates generating a significant benefit for the Council's budget.

Investment Strategy

The investment strategy for 2021/22 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.07%, slightly higher than the the bench mark of 0.06%. Temporary investments (excluding NuPlace share capital) increased by £15.9m at 31 March 2022 compared to 31st March 2021. This was predominantly due to the receipt of Government funding associated with the £150.00 Energy Rebates to be distributed to the vast majority of households in the Borough which was received at the end of March.

The Council continued to face financial pressure in 2021/22, particularly at the start fo the year, as a result of the coronavirus pandemic. As a result, the monitoring of cash flow to ensure that sufficient funds were available to meet financial obligations was key throughout the financial year. Short-term borrowing, through temporary loans mainly from other local authorities, helped to cover cash flow requirements.

Overall Outturn

Through the application of the above Borrowing and Investment Strategies, treasury delivered a net over-achievement of £4.425m against budget during 2021/22. The majority of the saving resulted from a mix of cash flow benefits together with our active approach of maintaining short-term borrowing, benefiting from low interest rates, and locking into longer term borrowing when conditions were favourable to do so.

The 2021/22 Annual Treasury Management Review is included in Appendix 1 and Treasury Pudential Indicators in Appendix 3.

4.2 **<u>2022/3 Update</u>**

Treasury Portfolio at 31.05.2022

	31.03.2022 £m	**31.05.2022 £m**	**Movement £m**
Borrowing (excl. PFI)	282.7	285.8	3.1
Investments (excl. NuPlace)	(36.5)	(15.6)	20.9
Net indebtedness	**246.2**	**270.2**	**24.0**

The strategy for 2022/23 remains consistent with that outlined in the 2022/23 Treasury Strategy, which was agreed for approval at Full Council on 3rd March 2022 and by this committee on 25th January 2022. The Strategy is also in-line with that of the previous year.

Borrowing

New borrowing will be required during the year, in line with the approved capital programme. Consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is expected to be a mix of temporary loans, long term loans obtained from the Public Works Loans Board and Municipal Investment Loans.

On 19 May 2022 the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment. This provides an opportunity for individuals to lend money to the Council which will be used to fund a range of projects across Telford & Wrekin to help tackle the climate emergency, including: replacing 2 fossil-fuel powered minibuses with electric minibuses; working with local organisations and businesses to improve energy efficiency in buildings; and installing renewable technologies, such as solar panels and ground source heat pumps into temporary/supported accommodation properties. With a target of raising £0.5m, loans are for a 5 year period at a fixed interest rate of 2.10% per annum. This is a new borrowing source for the Council (permitted in the approved Treasury Strategy), which is an alternative to PWLB and is specifically aimed to support the Council's Climate Change Agenda. The cost of borrowing to the Council, including fees, was comparable with PWLB rates at the time of entering the arrangement in that on the day the offer was launched the cost of the debt to the Council was lower than PWLB would have been. Legally, the investments are Loans from individual people to the Council.

Investments

Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. The Council does not currently hold any long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

Link Treasury Services, the Council's treasury advisors, are providing regular investment and borrowing updates, including updated counterparty advice, which is being followed.

5.0 Alternative Options

5.1 N/A

6.0 Key Risks

6.1 See Appendix 1.

7.0 Council Priorities

7.1 Effective management of the Council's Treasury portfolio helps support the Council's overall financial position through minimising borrowing costs and optimising investment income whilst following the principles of Security, Liquidity and Yield; and therefore supports the delivery of all Council priorities.

8.0 Financial Implications

8.1 Where appropriate these are detailed in the body of the report and the appendices.

9.0 Legal and HR Implications

9.1 The Director: Finance & HR (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Officers, Functions of the Chief Financial Officer, para. 8 which states "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee."

9.2 The Council has power to raise finance via Community Municipal Loans and this was formally and fully considered as part of the due diligence process prior to the launch of the Loans.

10.0 Ward Implications

10.1 There are no impacts on specific wards in this report.

11.0 Health, Social and Economic Implications

11.1 The Economic Climate has direct relevance to Treasury Management and is covered in detail in the report and accompanying appendices.

12.0 Equality and Diversity Implications

12.1 The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations that are suitably credit assessed.

13.0 Climate Change and Environmental Implications

13.1 As mentioned in Section 4.2 above, the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment which supports the Councils climate change agenda.

14.0 Background Papers

1 2020/21 Treasury Update Report and 2021/22 Treasury Management Strategy
2 2021/22 Prudential Indicators Report
3 2021/22 Treasury Update Report and 2022/23 Treasury Management Strategy

15.0 Appendices

1 Annual Treasury Management Review 2021/22

16.0 Report Sign Off

Signed off by	**Date sent**	**Date signed off**	**Initials**
Finance	21/06/2022	24/06/2022	PH
Legal	29/06/2022	01/07/2022	RP
Director	24/06/2022	01/07/2022	KC

Annual Treasury Management Review
2021/22

Telford & Wrekin Council

Contents

Annual Treasury Management Review 2021/22

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

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

- an annual treasury strategy in advance of the year,
- a mid-year, (minimum), treasury update report, and
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 03/03/2022 in order to support members' scrutiny role.

Executive Summary

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

Prudential and treasury indicators	31.3.21 Actual £000	2021/22 Original £000	31.3.22 Actual £000
Capital expenditure			
• Total	57,710	101,855	57,367
Capital Financing Requirement:			
• Total	480,078	541,572	500,140
• Less Other Long Term Liabilities	(50,398)	(50,895)	(50,880)
• Loans CFR	429,680	490,677	449,260
Gross borrowing			
• External Debt	281,085	359,746	282,743
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	20,652	15,000	36,522
• Total	20,652	15,000	36,522
Net borrowing			
• Total	260,433	344,746	246,221

Other prudential and treasury indicators are to be found in the main body of this report. The Director of Finance & HR also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

The financial year 2021/22 continued the challenging investment environment of previous years, namely low investment returns.

Borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The total value of assets held by the Council at 31 March 2022 was £788.4m some £505.7m greater than debt outstanding.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

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

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£'000 General Fund	31.3.21 Actual	2021/22 Budget	31.3.22 Actual
Capital expenditure • Capital Programme	57,710	101,855	57,367
Financed in year	35,300	41,642	37,036
Unfinanced capital expenditure	**22,410**	**60,213**	**20,331**

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

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

The Council's 2021/22 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2021/22 on 04/03/2021.

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR (£'000): *General Fund*	31.3.21 Actual	2021/22 Budget	31.3.22 Actual
Closing balance	**480,078**	**541,572**	**500,140**
Less Other Long Term Liabilities	(50,398)	(50,895)	(50,880)
Loans CFR	**429,68**	**490,677**	**449,260**

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31.3.21 Actual	2021/22 Budget	31.3.22 Actual
Gross borrowing position (external debt)	£281.085m	£359.746m	£282.743m

	31.3.21 Actual	2021/22 Budget	31.3.22 Actual
Loans CFR	£429.680m	£490.677m	£449.260m
(Under) / over funding of CFR	(£148.595m)	(£130.931m)	(£166.517m)

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream. See Appendix A for comparators.

	2021/22
Maximum gross borrowing position during the year	£282.7m
Authorised limit (Borrowing)	£450.0m
Operational boundary (Borrowing)	£430.0m
Financing costs as a proportion of net revenue stream	3.84%

3. Treasury Position as at 31st March 2022

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2021/22 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

DEBT PORTFOLIO	31.3.21 Principal	Interest Rate %	31.3.22 Principal	Interest Rate %	Movement in Principal
Fixed rate funding:					
- PWLB	£169.0m	2.57%	£201.8m	2.55%	£32.8m
- Market	£40.0m	4.17%	£40.0m	4.17%	£0.0m
Variable rate funding:					
- Temporary	£72.1m	0.77%	£41.0m	0.14%	(£31.1m)
Total debt	**£281.1m**	**2.52%**	**£282.8m**	**2.47%**	**£1.7m**
Loans CFR	**£429.7m**		**£449.3m**		**£19.6m**
Over / (under) borrowing	**(£148.6m)**		**(£166.6m)**		**(£18.0m)**
Total investments	**£20.7m**	**0.00%**	**£36.5m**	**0.07%**	**£15.8m**
Net debt	**£260.4m**		**£246.3m**		**(£14.1m)**

The maturity structure of the debt portfolio was as follows:

	31.3.21 Actual		2021/22 original limits %		31.3.22 Actual	
	£m	%	Lower	Upper	£m	%
Under 12 months	£79.2m	28.2	0.0	70.0	£51.4m	18.2
12 months and within 24 months	£7.2m	2.5	0.0	30.0	£10.3m	3.6
24 months and within 5 years	£21.6m	7.7	0.0	50.0	£31.8m	11.2
5 years and within 10 years	£27.4m	9.7	0.0	75.0	£42.9m	15.2
10 years and above*	£145.7m	51.9	25.0	100.0	£146.4m	51.8

** this includes £25m Lenders Option Borrowers Options (LOBO) loans that are potentially callable at certain points before the maturity date.*

INVESTMENT PORTFOLIO	31.3.21 Actual £000	31.3.21 Actual %	31.3.22 Actual £000	31.3.22 Actual %
Treasury investments				
Banks	3,072	14.9	3,842	9.5
DMADF (H M Treasury)	12,600	61.0	27,700	75.8
Money Market Funds	4,980	24.1	4,980	14.7
Total managed in house	**20,652**	**100%**	**36,522**	**100%**
Total managed externally	0		0	
TOTAL TREASURY INVESTMENTS	**20,652**	**100%**	**36,522**	**100%**

The maturity structure of the investment portfolio was as follows:

	31.3.21 Actual £000	2021/22 Budget £000	31.3.22 Actual £000
Investments			
Longer than 1 year	0	0	0
Up to 1 year	20,652	15,000	36,522
Total	**20,652**	**15,000**	**36,522**

4. The Strategy for 2021/22

4.1 Investment strategy and control of interest rate risk

Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

4.2 Borrowing strategy and control of interest rate risk

During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

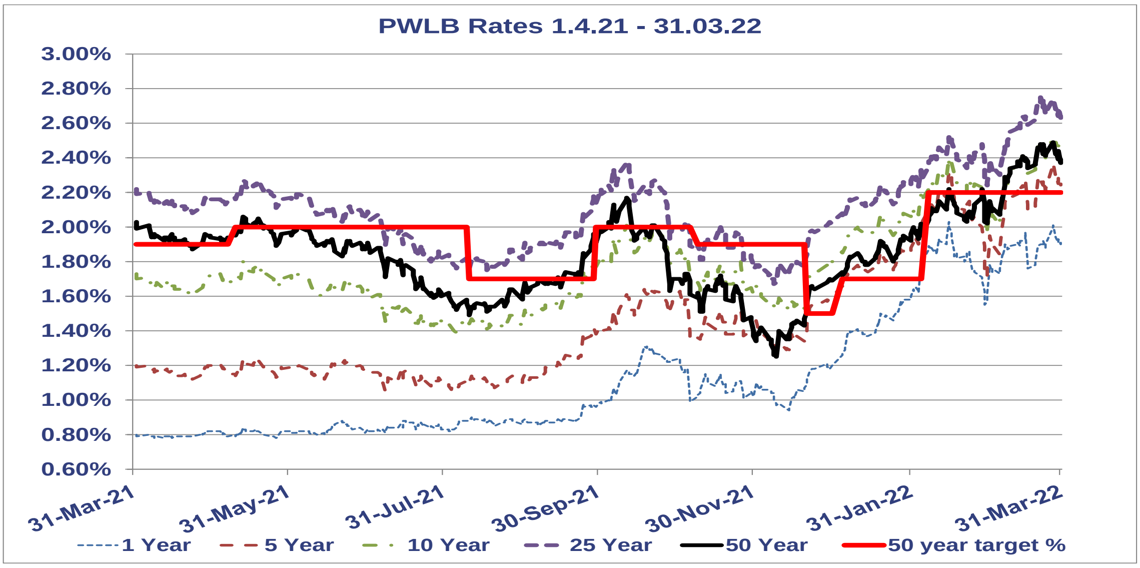
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.

HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

PWLB RATES 2021/22



PWLB rates are based on gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

5. Borrowing Outturn

Treasury Borrowing – During the year 8 new PWLB loans were raised
Borrowing - loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt.

The loans drawn were:

Lender	Date Raised	Principal	Type	Interest Rate	Duration
PWLB	*31/08/2021	£5.0m	Fixed interest rate - Annuity	1.23%	12 years
PWLB	*27/10/2021	£5.0m	Fixed interest rate - Annuity	1.69%	12 years
PWLB	*09/11/2021	£5.0m	Fixed interest rate - Annuity	1.65%	12 years
PWLB	*11/11/2021	£5.0m	Fixed interest rate - Annuity	1.49%	12 years
PWLB	17/02/2022	£5.0m	Fixed interest rate - EIP	2.12%	10 years
PWLB	17/03/2022	£5.0m	Fixed interest rate - EIP	1.24%	12 years
PWLB	21/03/2022	£5.0m	Fixed interest rate - Annuity	2.21%	12 years
PWLB	29/03/2022	£5.0m	Fixed interest rate - Annuity	2.27%	10 years

This compares with a budget assumption of borrowing at an interest rate of 2.5%.
*loans included in 2021/22 Treasury Update Report presented to Audit Committee 25th January 2022

Borrowing in advance of need
The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Early Repayments or Rescheduling
No loans were repaid early or rescheduled during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Debt Performance
As highlighted in Section 3 the average interest rate for borrowing fell slightly over the course of the year from 2.52% to 2.47%

6. Investment Outturn

Investment Policy – the Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 04/03/2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by the Council

- The Council maintained an average daily balance of £28.053m of internally managed funds.
- The internally managed funds earned an average rate of return of 0.07%.
- The comparable performance indicator is the average 7-day SONIA rate, which was 0.06%.

Investments (£m)	31.3.21	31.3.22
Cash Investments	20.652	36.522

At the 31.03.2022 total usable reserves were £137.6m, which has supported the overall cash flow position and the level of internal borrowing.

7. Overall Outturn for 2021/22

Overall a net benefit of £4.425m was made against budget for the year. The sound overall position has resulted from a mix of cash flow benefits plus pro-active treasury management activities through the active management of borrowing and taking advantage of low interest rates prevailing for the year.

8. Shropshire Council Debt

The Council makes an annual contribution towards Shropshire Council costs on pre disaggregation debt (i.e. pre unitary inception). The contribution in 2021/22 was £1.201m and interest paid averaged 4.9%. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

9. Leasing

Each year the Council arranges operating leases for assets such as vehicles, computers and equipment. This helps spread the cost over a number of years in line with the anticipated life of the equipment.

Two leasing drawdowns were completed for 2021/22, one in October and the other in January. These consisted of –

- Finance lease from Triple Point totalling £0.110m which funded the acquisition of gym equipment at Horsehay, and
- Finance lease from Society Generale Equipment Financing totalling £0.03m which funded grounds maintenance equipment at Horsehay Golf Centre.

10. The Economy and Interest Rates

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said "we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation."

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a "technical" recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

11. Other

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard, for Local Government, has been further delayed until 2024/25.

Prudential and Treasury Indicators are detailed in Appendix A.

12. 2022/23 Treasury Update

The remainder of this report deals with the current financial year based largely on information to 31 May 2022.

12.1. 2022/23 Treasury Strategy

The strategy for 2022/23 was approved by Full Council 3rd March 2022. The strategy is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of advantageous interest rates where appropriate. The Medium Term Financial Strategy 2022/23 – 2025/26, approved by Full Council on 3rd March 2022, will see the Council continue to invest in significant regeneration projects including highways and building homes and commercial property as part of the approved Housing Investment Programme and the Property Investment Programme.

In order to comply with MiFID II the Council will maintain a minimum investment balance of £10m.

12.2. Interest Rates

The Bank of England increased the base rate from 0.75% to 1.0% on 5th May 2022 as it continued to seek to control increasing inflation which hit a 30 year high of 7% (CPI) in March and increased further to 9% in April the fallout as higher prices for goods due to stock shortages as economies start to open up following the pandemic, along with higher energy prices and Russia's invasion of Ukraine which has led more increases in the prices of energy and food. It is anticipated that the base rate will continue to rise throughout 2022/23 finishing the year at 2.0%.

12.3. Prudential Regime

This Council agreed its required indicators at Council on 3rd March 2022.

The Council has operated within the Treasury Limits and Prudential Indicators set.

The Council set itself an Operational Limit for external debt of £475m for 2022/23 and an Authorised limit of £495m. Our total borrowing outstanding as at 31st May 2022 (excluding PFI) is £285.8m which is within both limits.

12.4. Borrowing

Treasury Borrowing – During the year 1 new PWLB loan has been raised
Borrowing – the loan was drawn to fund the net unfinanced capital expenditure and naturally maturing debt.

The loans drawn were:

Lender	Date Raised	Principal	Type	Interest Rate	Duration
PWLB	28/04/2022	£5.0m	Fixed interest rate - Annuity	2.56%	11 years

In total £10.4m of PWLB Loans are due to mature during the year.

On 19 May 2022 the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment. This provides an opportunity for individuals to lend money to the Council which will be used to fund a range of projects across Telford & Wrekin to help tackle the climate emergency, including: replacing 2 fossil-fuel powered minibuses with electric minibuses; working with local organisations and businesses to improve energy efficiency in buildings; and installing renewable technologies, such as solar panels and ground source heat pumps into temporary/supported accommodation properties. With a target of raising £0.5m, loans are for a 5 year period at a fixed interest rate of 2.10% per annum. This is a new borrowing source for the Council (permitted in the approved Treasury Strategy), which is an alternative to PWLB and is specifically aimed to support the Council's Climate Change Agenda. The cost of borrowing to the Council, including fees, was comparable with PWLB rates at the time of entering the arrangement in that on the day the offer was launched the cost of the debt to the Council was lower than PWLB would have been. Legally, the investments are Loans from individual people to the Council.

12.5. Investments

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate. For the period to 31st May 2022 some £1,497m worth of investments have been made with the Debt Management Office (DMO), Lloyds Bank and Money Market Funds. Rates have ranged from an average of 0.53% to 0.82%

The Council holds investments in money market funds which gives increased diversification of counter-party risk and slightly higher yield whilst retaining a high degree of liquidity. These investment are held in one diversified fund.

The Council can place up to £15.0m with any Counterparty, with the exception of Treasury's DMO facility which is Government backed and therefore considered to be very secure so no limit is placed on investments with the DMO. At the end of May the greatest exposure with a single counterparty was £10.8m (58.2% of the portfolio) with the DMO.

INVESTMENT PORTFOLIO	31.5.22 Actual £000	31.5.22 Actual %
Treasury investments		
Banks	2,787	15.0
DMADF (H M Treasury)	10,800	58.2
Money Market Funds	4,980	26.8
Total managed in house	**18,567**	**100%**
Total managed externally	0	
TOTAL TREASURY INVESTMENTS	**18,567**	**100%**

12.6. Projected Performance 2022/23

Senior Finance Officers are closely monitoring the Treasury position, particularly with the likelihood of the continuing interest rate rises. The financial monitoring report presented to Cabinet on 14 July 2022 included a projected benefit of £2.5m from treasury management activities. Updates will be provided in future financial monitoring reports taken to Cabinet.

12.7 MRP Update

In November 2021 the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation seeking views on proposed changes to regulations in relation to the duty of local authorities to make prudent Minimum Revenue Provision each year. The consultation closed in February 2022. The proposals for change related to the exclusion of a proportion of debt from the MRP calculation, particularly relating to investment assets, capital loans and some operational assets. Following concerns raised by a number of authorities it was apparent that the proposed changes may have given rise to unintended consequences and DLUHC amended the proposals to allow additional flexibilities with respect to capital loans. At the time of writing this report, a further consultation is underway on the amended proposals which will inform the government's final response. It is currently intended that the proposed changes will take effect from the 2023/24 financial year and the Council will prepare the budget for 2023/24 and later years on the revised basis once known.

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). These benchmarks ceased on 31st December 2021 and have, generally, been replaced by SONIA, the Sterling Overnight Index Average.

MHCLG: the Ministry of Housing, Communities and Local Government - the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to ‘cool’ the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

Appendix A: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	**2020/21**	**2021/22**	**2021/22**
Extract from budget setting report	**actual**	**original**	**actual**
	£'000	**£'000**	**£'000**
Capital Expenditure	£57,710	£101,855	£57,367
Ratio of financing costs to net revenue stream	4.35%	6.4%	3.84%
Gross borrowing requirement General Fund			
brought forward 1 April	£276,185	£299,533	£281,085
carried forward 31 March	£281,085	£359,746	£282,743
in year borrowing requirement	£4,900	£60,213	£1,658
Loans CFR	£429,680	£490,677	£449,260
Annual change in Loans CFR	£20,884	£59,315	£19,580

2. TREASURY MANAGEMENT INDICATORS	**2020/21**	**2021/22**	**2021/22**
	actual	**original**	**actual**
	£'000	**£'000**	**£'000**
Authorised Limit for external debt -			
borrowing	£450,000	£450,000	£450,000
other long term liabilities	£64,000	£64,000	£64,000
TOTAL	£514,00	£514,000	£514,000
Operational Boundary for external debt -			
borrowing	£430,000	£430,000	£430,000
other long term liabilities	£60,000	£60,000	£60,000
TOTAL	£490,000	£490,000	£490,000
Actual external debt	£281,085	£359,746	£282,743

Maturity structure of fixed rate borrowing during 2021/22	**upper limit**	**lower limit**	**31.03.22**
under 12 months	0.0%	70.0%	18.2%
12 months and within 24 months	0.0%	30.0%	3.6%
24 months and within 5 years	0.0%	50.0%	11.2%
5 years and within 10 years	0.0%	75.0%	15.2%
10 years and within 20 years	0.0%	100.0%	51.8%
Maturity structure of investments during 2021/22	upper limit	lower limit	
Longer than 1 year	0.0%	95.0%	0.0%
Up to 1 year	0.0%	100.0%	100.0%

Credit risk indicator	**2020/21 Actual**	**2021/22 Target**	**2021/22 Actual**
Portfolio average credit score	1.59	6 or lower	1.44

Target – 6 or lower is equivalent to a credit rating of 'A' or higher

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Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

19 July 2022

PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2021/22

Cabinet Member:	**Cllr Rae Evans – Cabinet Member for Finance, Governance and Customer Services**
Lead Director:	**Anthea Lowe – Director: Policy & Governance**
Service Area:	**Policy & Governance**
Report Author:	**Ken Clarke – Director: Finance & HR (Chief Financial Officer)** **Anthea Lowe – Director: Policy & Governance (Monitoring Officer)**
Officer Contact Details:	**Rob Montgomery Tel: 383103 Email: Robert.Montgomery@telford.gov.uk** **Tracey Drummond Tel: 383105 Email: Tracey.Drummond@telford.gov.uk**
Wards Affected:	All wards affected
Key Decision:	No
Forward Plan:	Not applicable
Report considered by:	**Senior Management Team – 28/6/2022**

1.0 Recommendations for decision/noting:

1.1 It is recommended that members of the Audit Committee note the contents of the report and information that will be published on the Council's website.

2.0 Purpose of Report

2.1 The purpose of the report is to present to the Audit Committee information to be published in respect to Councillors who traded with the Council during 2021/22.

3.0 Background

3.1 As part of the annual account process councillors disclose where they have an interest in a company/companies that receive payment from the Council. These are shown annually in the Final Accounts that are presented to the Audit Committee.

3.2 However, the Council through the Constitution Committee and full Council agreed that in order to provide better transparency additional details of any Councillors who have an interest in companies that benefit from trading with the Council will be taken to Full Council via the Audit Committee as a separate report each year and published on the Council's website.

This information will be more readily accessible by the public and demonstrate the Council's co-operative commitment to openness.

3.3 It was agreed that the information reported would be the previous year's value and description of any payments received from the Council to any businesses / companies where that Member has an interest.

3.4 Only two Councillors were associated with companies (either owners or Directors) that traded with the Council in 2021/22. These were:

- Councillor Stephen Burrell – £555,087 in respect to the company Peace of Mind Homecare. Councillor Burrell is a Director of this company. Peace of Mind Homecare provide domiciliary care services.

- Councillor Carolyn Healy - £12,734 in respect to the company Red Kite Ltd. Councillor. Councillor Healy is a Director of this this company. Red Kite Ltd provide landscape architecture and ecology services.

4.0 Summary of main proposals

4.1 There are no proposals, this report is for information only.

5.0 Alternative Options

5.1 There are no options relating to this report as it is for information only.

6.0 Key Risks

6.1 The risks and opportunities in respect to this report will be appropriately identified and managed

7.0 Council Priorities

7.1 The report supports the Council's values that are embedded in the delivery of all the Council's priorities

8.0 Financial Implications

8.1 There are no financial implications arising from this report, the information is collected and reported on within Note 48. Related Parties – Members, as part of the final accounts process. MLB 07.07.22.

9.0 Legal and HR Implications

9.1 It should also be noted that in addition to the publication of the information referred to in this report, Councillors also have to complete a disclosable pecuniary interest's form following their appointment pursuant to The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. This form includes a section where Councillors must provide details of any contracts they have with the Council. The form for each Councillor is published on the Council's website.

10.0 Ward Implications

10.1 Ward implications cover all local councils detailed in the Parish Charter.

11.0 Health, Social and Economic Implications

11.1 There are no health, social or economic implications.

12.0 Equality and Diversity Implications

12.1 Transparency supports equalities and demonstrates the Council's commitment to be open and fair.

13.0 Climate Change and Environmental Implications

13.1 This report has limited environmental impact due to the nature of the work companies reported undertake.

14.0 Background Papers

1. Localism Act 2011
2. Co-operative Council Commissions Report 2012

15.0 Appendices

None.

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	10/06/2022	16/06/2022	RP
Finance	10/06/2022	07/07/2022	MLB

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Borough of Telford and Wrekin

Audit Committee

19th July 2022

Strategic Risk Register Update

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TELFORD & WREKIN COUNCIL STRATEGIC RISK REGISTER

UPDATED JULY 2022

Definitions used in the risk register:

Likelihood of Risk Occurring

Likelihood	Definition
Very Low	May occur in exceptional circumstances
Low	Risk may occur in next 3 years
Medium	The risk is likely to occur more than once in the next 3 years
High	The risk is likely to occur this year
Very High	The risk has occurred and will continue to do so without further action being taken

Impact of Risk if it does Occur

Descriptor	Financial	Reputation	Physical	Environmental	Service
Very Low	None	None	None	None	None
Low	<£50K	Minimal/ minimal media/ social media	Minor	Minor locally	Internal disruption only, no loss of service
Medium	£50K to £1m	Extensive local media/social media	Violence or threats of serious injury requiring medical treatment	Moderate locally	Disruption/ loss of service less than 48 hours
High	£1m to £5m	National media/social media	Extensive/ multiple injuries	Major local impact	Disruption/ loss of service less than 7 days
Very High	>£5m	Extensive national media (lead item)/social media	Extensive multiple injuries/ death	Major national/inter national	Severe disruption/ loss of service more than 7 days.

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R1	Failure to discharge duty of care for a vulnerable child or vulnerable adult.	Very High without controls Change since last review =	Very High without controls – Physical Reputation Finance Change since last review =	a) Safeguarding Partnership (Adults & Children) Community Safety Partnership and Youth Offending Service Management Board scrutinise performance, hold partners to account and drive practice improvement in the light of learning (e.g. Serious Case, Safeguarding Adult & Domestic Homicide Reviews). b) Safeguarding Partnership works to develop systematic working across children and adult landscape. c) The Council will invest almost £5.2m net additional funding into Adult Social Care services in 2022/23, increasing to almost £7m additional net funding in 2023/24. The Council's net budget for Adult Social Care will be over £53m in 2022/23. d) The Council's net budget for Children's Safeguarding will exceed £37m in 2022/23, benefitting from additional net funding of over £1.3m	J Britton S Dillon	**Very Low with controls** Change since last review =	**Very High with controls –** **Physical Reputation Finance** Change since last review =

				e) The combined total net budget allocation for these services will be in excess of £90m. f) A general budget contingency of £3.95m, with an additional £2.4m held for inflationary pressures will be available in 2022/23. These can be used to support pressures in any Council budget including Adult Social Care and Children's Safeguarding which account for two thirds of the Council's net budget. **Children:** g) Safeguarding arrangements are routinely reviewed and developed in response to new statutory requirements as they are introduced h) Workforce development strategy – recruitment and retention, learning and development including Systemic Practice across the Council's children's workforce. i) Children's Services - systematic quality assurance role for all managers from frontline Team Manager through to CEX and DCS j) No staff savings target for Children's Social Workers k) Work to national inspection standards and respond to			

				actions required from inspections. l) OFSTED inspection of Children's Safeguarding January 2020 achieved "Outstanding"". An action plan has been delivered to respond to the small number of recommendations m) Independent Review of Child Sexual Exploitation (CSE) commissioned by the Council is underway n) 'Essential learning' for all employees includes both child protection and CSE. **Adults:** o) Adult safeguarding part of Safeguarding Partnership in compliance with Care Act requirements and new Adult Safeguarding Guidance & Regulations. p) Adult Services - systematic quality assurance role for all managers from frontline team manager through to DAS q) Quality Surveillance Group chaired by Chief Officer of NHS England Area Team ensures co-ordination of quality & safeguarding issues across health & social care system.			

				r) 'Essential learning' for all employees includes adult safeguarding.			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R2	Inability to: a) Match available resources (both financial, people and assets) with statutory obligations, agreed priorities and service standards b) deliver financial strategy including capital receipts, savings and commercial income c) fund organisational and cultural development in the Council within the constraints of the public sector economy	Very High without controls Change since last review =	Very High without controls – Physical Reputation Service Change since last review =	a) Robust commercial approach taken by Council services in terms of increasing income generation b) Rigorous service and medium term financial planning and regular monitoring and active management through S&FPG, SMT, Business Briefing and Cabinet. c) Efficiency Strategy in place which allows the Council to qualify for the Flexible Use of Capital Receipts which is expected to continue to be available to fund the revenue costs of reform and service transformation which deliver efficiencies d) 'Savings programme, service reviews and restructuring. e) Staffing, economic and environmental impact assessments. f) In-year savings exercises possible if necessary g) Rationalisation of Council assets and accommodation	D Sidaway K Clarke	**Low with controls** Change since last review =	**Very High with controls – Physical Reputation Service** Change since last review =

				h) Prudent level of uncommitted one-off resources and in-year budget contingency i) Delivery of capital receipts/rigorous monitoring of capital receipts realisation and impact on the budget j) If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be identified for consultation k) Regular review of reserves and balances against risk exposure with significant level of uncommitted balances available, held within the Budget Strategy Reserve to support the Council's Medium Term Financial Strategy l) Ongoing review of financial policies m) Safeguarding Children Cost Improvement Plan n) Adult Social Care Cost Improvement Plan o) Commercial project(s) for additional income generation as well as wider economic, social and regeneration purposes p) Housing Investment Programme q) Robust assessment of potential new investments through a proper due diligence and business case process to			

				ensure that the Council is not exposed to an unacceptable level of risk either on an individual basis or when considering the entire investment portfolio r) Specialist legal and taxation advice taken as required s) Active Treasury Management in conjunction with regular advice and updates from specialist Treasury Management Advisors t) Cabinet Members regularly briefed u) All necessary strategies, policies and procedures in place to fully comply with CIPFA and MoHCLG codes and regulations with regular review v) Established approval process for agreement of business cases for new investment from the w) Council's Growth Fund and Invest to Save/Capacity Fund x) All reports to Cabinet include a financial comment that identifies the financial implications arising from the recommendations to avoid significant additional ongoing commitments being committed without appropriate consideration			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R3	Losing skills, knowledge and experience (retention & recruitment) in relation to staffing.	Very High without controls Change since last review: =	High without controls – Financial Reputation Service Change since last review: =	a) Workforce Development Strategy in place with focus on delivering ambition of the Council being employer of choice. Strategy will focus on: • 'Our workforce will have the skills and abilities to deliver our priorities and will have the opportunity to further develop • Our managers will be leaders and will empower staff to deliver our priorities • 'Our organisation will be more diverse and inclusive offering a voice and fair treatment for all' • 'Our workplace will be healthy and we will support our employees' wellbeing' b) Senior Management development programmes underway with aspiring leader and Team Leader programmes in development c) Each service area has a workforce plan considering • skills gap analysis and needs • apprenticeships d) Specific HR policies:	D Sidaway	**Medium with controls** Change since last review: =	**High with controls –** **Service Reputation Finance** Change since last review: =

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				• use of market factor weighting for key groups • flexible working policy • staff benefit schemes e) “Grow your own” scheme for roles that are hard to recruit to. f) Review of induction programme and ongoing training and development underway g) Lean Review of recruitment process and the development of the Council’s employment “offer” h) Council values, ethos, rewards and recognition i) Implementation of Annual Personal Performance and Development discussions for all staff. j) Staff awards ceremony k) Review of the use of apprentices l) Staff benefits scheme			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R4	Significant business interruption affecting ability to provide priority services, e.g. critical damage to Council buildings, pandemic, etc.	Very High without controls Change since last review: =	Very High without controls – Physical Reputation Service Change since last review: =	a) Each Service Delivery Team has Business Continuity Plans to enable them to respond appropriately (people, systems etc.), these are reviewed annually and updated following team changes and or incidents. b) Continuity plans tested in live environment due to the effects of the pandemic c) Serious Incident Protocol been adopted. d) Continue to invest in ICT capital programme. Data centre investment complete. e) Improvement/upgrade/replacement of key ICT systems ICT controls – Disaster Recovery facilities in place based on Priority Services in line with Business Continuity Plans. f) Roll out of "office 365" and the cloud computing. g) Investment in cyber security and awareness programme and training (see risk 7 also). h) COVID Gold group set up i) COVID risks monitored by SMT	J Rowe / Angie Astley	**Low with controls** Change since last review: =	**Very High with controls –** **Service Reputation** Change since last review: =

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R5	Inability to manage the health & safety risks in delivering the council's functions (including building security and cyber security). .	Very High without controls Change since last review =	Very High without controls – Physical Reputation Financial Change since last review =	a) Reviewing, writing and monitoring of health and safety policies through SMT and Health and Safety Committee. b) Risk based health and safety audit process of service areas and local authority managed schools, which not only audit implementation of health and safety policies but also proactively identifies shortcomings, actions and controls that need to be in place to manage those risks. c) Significant findings of the audits are reported back though SMT and Health and Safety Committee. d) Internal Health and Safety work to Health and Safety Executive (HSE) guidance and revise Policies and Procedures to ensure compliance with legal standards. Revisions reported back through SMT and reported via regular Trade Union meetings. e) Lone worker and member processes in place (Stay Safe).	J Rowe Liz Noakes	**Low with controls** Change since last review =	**Very High with controls – Physical Reputation Finance** Change since last review =

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				f) Building security kept under review. g) System in place for reporting all accidents, incidents and near misses. Non reportable accidents investigated by service area. h) All reportable accidents are investigated by Internal Health and Safety Team and significant findings reported to Health and Safety Committee. Other findings reported back to relevant Service area management i) Training provided on Health and Safety through a mixture of e-learning and face to face. j) Essential learning training for all employees includes health and safety and fire safety awareness. k) Regular meetings with Trade Unions l) Coordination and management of Personal Safety Precautions Risk Register to ensure safety of employees. m) Appointed Cyber Security Manager to review and improve cyber security where required. n) Cyber security part of essential learning for all employees. o) Corporate review of list of 1st aiders to ensure adequate resource in place			

				p) Corporate review of list of fire marshals to ensure adequate resource in place q) Enhanced risk assessments for specific individual/services r) Updated personal safety training s) Increased security at main Council buildings			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R6	Inability to deliver effective information governance.	Very High without controls Change since last review =	Very High without controls – Financial Reputation Change since last review =	a) The Council has an Information Governance Framework which includes the Corporate Information Security Policy (CISP) and other policies (Data protection, Information Sharing policies) b) Small dedicated team promoting sound Information Governance within the Council and ensuring that good practice is shared across the Council c) Training and awareness programme put in place and Information Governance modules form part of induction and essential learning programmes. d) Data Protection Officer reports regularly to SMT on IG related matters	D Sidaway	**Low with controls** Change since last review =	**High with controls –** **Reputation Finance** Change since last review =

				e) Data Protection Officer attended a number of management team meetings. f) General Data Protection Regulations 2018 implemented. g) SMT oversight of reported data breaches h) All data breaches recorded, investigated and lessons learnt identified i) Detailed report is sent to relevant Director in respect to breaches occurring in their service area j) Information Governance related posters in all main Council buildings k) Staff complete randomly generated questions on data protection/information security every quarter l) Regular bulletins on information governance related matters published in staff news letter m) Completion of annual Data Security and Protection (DSP) toolkit. n) Annual Governance Statement process encompasses key information governance related matters o) Key elements of information governance are audited by an external company.			

Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R7	Inability to respond adequately to a significant emergency affecting the community and/or ability to provide priority services.	High without controls Change since last review =	Very High without controls – Environment Financial Service Change since last review =	a) Work collaboratively with other LRF partner agencies, maintaining effective working relationships with the relevant bodies b) Maintain appropriate levels of trained staff to be able to respond to an emergency. c) Maintaining appropriate, risk based contingency plans (Civil Resilience Team) which are reviewed on regular basis d) Gorge – Phase II at Jackfield complete. Operation e) 'Tangent' – multi agency plan to respond to landslide in the Gorge is in place and is reviewed and exercised regularly f) Individual Service Delivery Managers are responsible for maintaining and exercising their Business Continuity Plan. These plans would be coordinated corporately and the emergency plan activated if necessary. g) Provider contract monitoring in place. h) Public health mechanisms in place to manage response to significant incidents.	Exec Directors / Liz Noakes	**Very low with controls** Change since last review =	**Very High with controls –** **Service Reputation Finance** Change since last review =

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Ref	Risk	Likelihood Without Controls	Impact Without Controls	What are we doing to manage the risk? (Controls)	Lead Executive Director / Director	Likelihood With Controls	Impact With Controls
R8	Inability to respond to impact of climate emergency on severe weather events.	High without controls Change since last review =	Very High without controls – Environment Reputation Financial Change since last review =	a) Investment in highways capital programme. b) Monitor ground stability in the Gorge and water levels. c) Use and testing of flood barriers in Ironbridge d) Working with street scene contractors to monitor impact on public realm. e) Adoption of Climate Emergency Becoming Carbon Neutral action plan which includes a commitment to ensuring that its operation and activities are carbon neutral by 2030. f) Delivering a wide range of schemes to reduce carbon emissions. g) Driving partnership engagement and action on climate change including setting up the Telford and Wrekin Borough Climate Change Partnership h) Addressing biodiversity through actions plans. i) Established the Telford and Wrekin Climate Change Partnership action plan. j) Climate Emergency is at the forefront of the Council's priorities. k) New Council priority defined – 'Our natural environment is	A Astley	**Medium with controls** Change since last review =	**High with controls – Environment Reputation Finance** Change since last review =

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				protected – we are taking a leading role in addressing the climate emergency l) Strong relationships with key partners including the Environment Agency. m) Work of the Environment Scrutiny Committee			

Risks Removed for Register

Ref	Risk	Reason for Removal	Date of Removal
R9	Inability to respond to the impact and implications of Brexit.	This risk is no longer applicable.	27/1/2022

Document Version Control

Version	Date	Author	Sent To	Comments
n/a	19/1/21	R Montgomery	SMT	Approval prior to register presented to Audit Committee and Cabinet
2022.2	27/1/22	R Montgomery	SMT	Update of register in respect to additions/changes to mitigating actions and deletion of risk R9

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Telford & Wrekin Co-operative Council | Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

19 July 2022

INTERNAL AUDIT UPDATE REPORT

Cabinet Member: **Cllr Rae Evans – Cabinet Member for Finance, Governance and Customer Services**

Lead Director: **Anthea Lowe – Director: Policy & Governance**

Service Area: **Policy & Governance**

Report Author: **Tracey Drummond – Principal Auditor**

Officer Contact Details: **Rob Montgomery Tel: 383103 Email: Robert.Montgomery@telford.gov.uk**
Tracey Drummond Tel: 383105 Email: Tracey.Drummond@telford.gov.uk

Wards Affected: All wards affected

Key Decision: No

Forward Plan: Not applicable

Report considered by: **Senior Management Team – 28/06/2022**

1.0 Recommendations for decision/noting:

1.1 It is recommended that members of the Audit Committee to note the information contained in this report in respect to Internal Audit planned work undertaken between 1 May 2022 – 22 June 2022 and unplanned work to date.

2.0 Purpose of Report

2.1 The purpose of this report is to update members on the progress made against the 2022/23 and the completion of 2021/22 Internal Audit Plan and to provide information on the recent work of Internal Audit.

3.0 Background

3.1 This report provides information on the work of Internal Audit from 1 May 2022 – 22 June 2022 and provides an update on the progress of previous audit reports issued.

3.2 The key focus for the team during this period was the completion of audits on the annual audit plan and fulling commercial contracts.

3.3 The information included in this progress report will feed into and inform our overall opinion in our Internal Audit Annual Report. All audit reports issued during the year are given an overall audit opinion based on the following criteria:

Level of Assurance/Audit Opinion & Definition	
Good (Green) There is a sound system of control designed to address relevant risks with controls being consistently applied.	**Reasonable (Yellow)** There is a sound system of control but there is evidence of non-compliance with some of the controls.
Limited (Amber) Whilst there is a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.	**Poor (Red)** The system of control is weak and there is evidence of non-compliance with the controls that do exist.

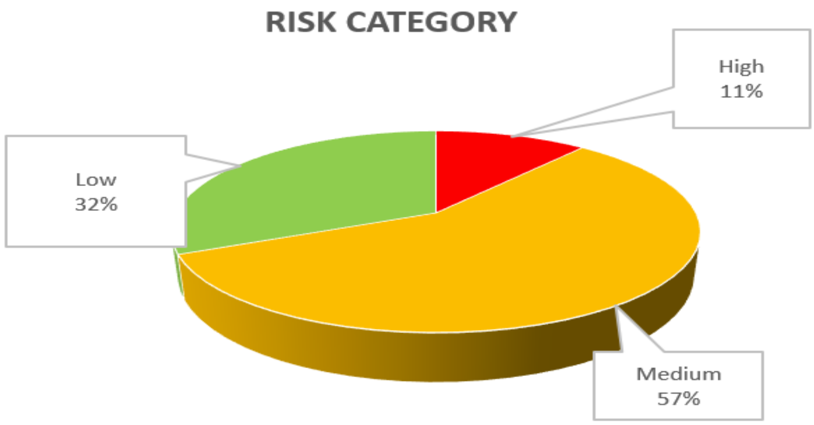
3.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

High risk = A fundamental weakness which presents material risk to the system objectives and requires immediate attention by management.

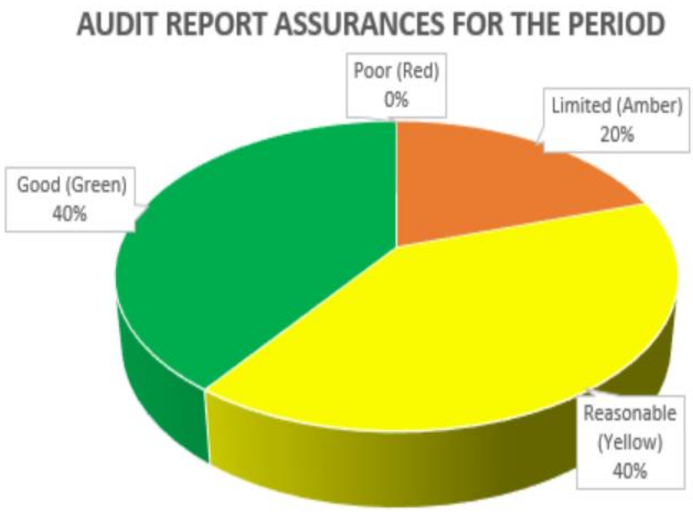
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

Low risk = A recommendation aimed at improving the existing control environment or improving efficiency, these are normally best practice recommendations.

3.5 The chart below shows the percentage of high (red segment), medium (yellow segment) and low (green segment) risk recommendations made for the reports issued during this period.



3.6 The level of assurance (based on table 4.3 above) for audit reports issued in this period is detailed below.



3.7 The information in the above pie charts is broken down in the summary table below.

AUDIT REPORTS ISSUED BETWEEN 1/5/22 – 22/6/22 AND CURRENT STATUS						
Area	**Date of Report**	**Level of risk on plan**	**Original Audit Grade**	**Follow up Due**	**Revised Grade**	**Comments**
Purchase Ledger (21/22)	18/6/22	M	Limited	Sept 22		
Apley Wood Primary School (21/22 Plan)	19/05/2022	M	Reasonable	Nov 22		
Appointeeship & Deputyship Arrangments (21/22 Plan)	27/5/22	M	Reasonable	Nov 22		
Healthy Weight Management grant	20/6/22	N/a Unplanned	Good	N/a		
Contained Management Outbreak (COMF) Grant	22/6/22	M	Good	N/a		

3.8 Detailed below is the status of any reports previously issued and reported to Audit Committee. Members should note that once reports have reached a green status and have been reported to members they are excluded from future Audit Committee reports.

PREVIOUSLY ISSUED REPORTS & CURRENT STATUS					
Area	**Date of Report**	**Original Audit Grade**	**Status previously reported to Audit Committee**	**Current Grade**	**Current status / Comments**
Fleet Management	17/09/2020	Poor	2nd follow-up to be carried out following the completion and implementation of the ongoing transport review. It is anticipated that this will be towards the end of FY 21/22	Reasonable	Follow up to be undertaken August 2022
The Bridge School	08/10/2021	Reasonable	Follow up in progress	Good	Follow up complete
Aqueduct School	26/10/2021	Reasonable	Follow up in progress	Good	Follow up complete
Register of Interests	10/12/21	Reasonable	Follow up due June 2022	Reasonable	Follow up in progress
Horsehay Bar	31/03/2022	Poor	Follow up due September 2022		No Change from previous status
Millbrook Primary School	17/02/2022	Limited	n/a		Follow up in progress
St Peters Edgmond	31/01/2022	Limited	n/a	Good	Follow up complete
Cyber Resilience	03/03/22	Limited	n/a	Reasonable	Follow up completed April 2022. No further follow up to be undertaken. Remaining outstanding actions to be covered

					as part of 2022/23 audit
IT Data Back up	04/02/2022	Reasonable	n/a	Good	1st Follow up completed April 2022. 2nd follow up to be undertaken July 2022
Lilleshall Primary School	14/02/2022	Reasonable	n/a		Follow up due August 2022
Haughton	16/02/2022	Reasonable	n/a		Follow up due August 2022
St Lawrence CE Primary	08/03/2022	Reasonable	n/a		Follow up due September 2022
St Georges Primary School	14/03/2022	Reasonable	n/a		Follow up due September 2022
IT - Service Desk	16/03/2022	Reasonable	n/a	Good	Follow up complete
Council Tax/NNDR	27/04/22	Reasonable	n/a	Reasonable	Follow up due Aug 22
ICT Software licensing	29/03/2022	Reasonable	n/a		Follow up due October 2022

Internal Audit is confident and has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee at this time.

4.0 Progress on completion of the 2022/23 Annual Audit Plan

4.1 Audit resources have been spent completing work from the 2021/22 plan and meeting contract commitments.

4.2 Audit Committee members approved the 2022/23 Internal Audit Plan at the May 2022 committee meeting. Appendix 1 of this report shows the progress made against the 22/23 plan, 3 audits have been completed and 2 are in progress. Amendments to the audit plan have been made due to resource challenges and unplanned work. As a result 1 school audit and 1 probity audit has been deferred to the 23/24 audit plan (25 days). One unplanned grant has been added - The Local Authority Delivery (LAD) sheme

5 Quality Assurance and Improvement Programme

5.1 Internal Audit maintains a Quality Assurance and Improvement Programme that complies with the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process applied to all audit assignments. The Audit & Governance Lead Manager undertakes an independent monthly check of randomly selected (number dependent on number of completed audits that month) completed audit files to ensure they comply with:-

- Requirements of the PSIAS
- Rules of the Code of Ethics
- Agreed Internal Audit process and procedures
- Approved Internal Audit Charter

Only minor Internal Audit procedural issues have been found from these checks and they have been fed back to the Internal Auditors during this time to aid continuous improvement in the service.

6.0 Summary of main proposals

6.1 There are no proposals, this report is for information only.

7.0 Alternative Options

7.1 There are no options relating to this report as it is for information only.

8.0 Key Risks

8.1 The risks and opportunities in respect to this report will be appropriately identified and managed

9.0 Council Priorities

9.1 The report supports the Council's values that are embedded in the delivery of all the Council's priorities

10.0 Financial Implications

10.1 In circumstances where Audit findings result in changes to service delivery or controls etc. the financial consequences are managed as part of the implementation of such changes. There are no financial implications of accepting the recommendations of this report.

11.0 Legal and HR Implications

11.1 The Accounts and Audit Regulations 2015 (Part 2, Regulation 5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.

In the event that an audit reveals a legal issue or concern this is referred to the Council's Legal Services Team and/or the Council's Monitoring Officer as appropriate for further advice and assistance

12.0 Ward Implications

12.1 The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards detailed in the Parish Charter.

13.0 Health, Social and Economic Implications

13.1 There are no health, social or economic implications.

14.0 Equality and Diversity Implications

14.1 Transparency supports equalities and demonstrates the Council's commitment to be open and fair. All members of the Audit Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified.

15.0 Climate Change and Environmental Implications

15.1 This report has limited environmental impact due to the nature of the work companies reported undertake.

16.0 Background Papers

1. Annual Audit Plan 2021/22 and 2022/23
2. Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and updated January 2017
3. CIPFA Local Government Application Note – April 2013

17.0 Appendices

1. 2022/23 Annual Audit Plan

18.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	24/06/2022	24/06/2022	MB
Legal	18//06/2022	21/06/2022	RP

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Audit Area	Service Area	Days	Priority	Risk rating	Status
General ledger, assets & capital accounting - fixed asset module (22/23)	Finance & Human Resources	20	ALL	H	
Payroll/HR (22/23)	Finance & Human Resources	20	ALL	H	
Treasury	Finance & Human Resources	12	ALL	H	
Local Transport Capital block funding	Finance & Human Resources	2	2 & 5	M	
Bus subsidy grant	Finance & Human Resources	2	all	M	
Comf grant	Finance & Human Resources	2	all	M	Complete
healthy weight grant	Finance & Human Resources	2	all	M	Complete
Holiday activity grant	Finance & Human Resources	2	all	M	Complete
Direct Payments (children)	Children's Safeguarding and Family Support	12	1,2,5	H	
Controc	Children's Safeguarding and Family Support	25	1 & 5	H	
Child Arrangement orders	Children's Safeguarding and Family Support	12	1,3 & 5	M	
Holiday activity grant	Children's Safeguarding and Family Support	as above	all	m	As above - complete
Preparing disabled children for adulthood	Children's Safeguarding and Family Support	10	1 & 5	M	
Quality assurance framework	Adult social care	10	1 & 5	M	
Direct payments (adults)	Adult social care	25	1,2,5	H	
Integrated Care Record	Adult social care	10	1,2,5	M	
Controc	Adult social care	see above	1 & 5	H	
Preparing disabled children for adulthood	Adult social care	See above	1& 5	M	
Co-Production Framework	Adult social care	6	1 & 5	M	
Discretionary Enablement Grant	Adult social care	4	1& 5	M	

Money Laundering	Policy & Governance	8	2 & 5	H	
Risk Management	Policy & Governance	10	all	M	
Troubled families grant	Policy & Governance	12	all	L	
Healthy weight grant	Public Health & Resilience	as above	all	M	As above - complete
Schools (19 schools)	Education & Skills	100	1,3,5	M	1 school deferred
Leisure Centres (ab Dab / OLC))	Community Customer & Commercial Serv	26	all	M	
Bars (The Place/ Ice Rink/Horsehay/ski centr?)	Community Customer & Commercial Serv	20	**2,3,5**	**H**	
IT audits (5)	Community Customer & Commercial Serv	49	5	H/M	2x in progress
Registrar	Community Customer & Commercial Serv	12	**2,3,5**	M	
benefits	Community Customer & Commercial Serv	15	all	M	
Customer services	Community Customer & Commercial Serv	8	all	M	
Homlessness reduction act	Housing & Communities	25	1,3,5	H	
Bus subsidy grant	Neighbourhood & Enforcement	as above	all	L	
Ideverde contract	Neighbourhood & Enforcement	4	all	M	
T&W 'Other Assets'	Neighbourhood & Enforcement	8	all	M	
Transport Review (Children & Adult Transport)	Neighbourhood & Enforcement	20	all	M	Deferred due to audit resources
Licensing	Neighbourhood & Enforcement	12	**2,3 & 5**	M	

Disposal of land	Property & Investment	8	2,3,4,5	M	
BIT	Property & Investment	12	2,3,4,5	M	
Impact of Covid 19	Corporate	15	all	H	
		540			

Original plan	**Amended plan**
59 jobs	57 jobs
649 audit days	629 audit days

Complete
In progress

IT Audit Areas

Cyber security - December 22
Firewall - February 23
Asset management - July / August
Mobile & endpoint - May 22
User Account management- July 22

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Agenda Item 9

Telford & Wrekin Co-operative Council | Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

19 July 2022

PSIAS External Assessment Outcome

Cabinet Member:	**Cllr Rae Evans – Cabinet Member for Finance, Governance and Customer Services**
Lead Director:	**Anthea Lowe – Director: Policy & Governance**
Service Area:	**Policy & Governance**
Report Author:	**Ken Clarke – Director: Finance & HR (Chief Financial Officer)** **Anthea Lowe – Director: Policy & Governance (Monitoring Officer)**
Officer Contact Details:	**Rob Montgomery Tel: 383103 Email: Robert.Montgomery@telford.gov.uk**
Wards Affected:	All wards affected
Key Decision:	No
Forward Plan:	Not applicable

Report considered by: Senior Management Team – 28/6/2022

1.0 Recommendations for decision/noting:

1.1 It is recommended that members of the Audit Committee note the contents of this report.

2.0 Purpose of Report

2.1 The purpose of the report is to present the summary findings of the recent external assessment of the Internal Audit teams compliance with the Public Sector Internal Audit Standards (PSIAS).

3.0 Background

3.1 The Public Sector Internal Audit Standards, effective from 1st April 2013, contain the requirement for an external assessment of the Internal Audit function once every 5 years. Our previous assessment took place in January 2017, therefore the council needed to ensure our second assessment was undertaken during 2022.

3.2 Members agreed, at the January 2022 Audit Committee meeting, that the Council would use a hybrid delivery model for the external assessment. This encompassed the Internal Audit team completing their own detailed self-assessment which was then verified by an independent external assessor. Following a competitive process, CIPFA were chosen to provide the external assessment element.

3.3 The self-assessment and external verification took place during April and May 2022. This involved the external assessor verifying the self-assessment and associated evidence provided by the Internal Audit Team and the conducting of interview with key stakeholders including the Audit Committee Vice Chair (in the Chairs absence).

3.4 The external assessor has produced a report on the findings of their verification. They key finding of the report is that:

'It is our opinion that Telford & Wrekin Council's Internal Audit Service's self-assessment is accurate and, as such, we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Stnadards and the CIPFA Local Government Application Note'

3.5 The report also stated:

'The Service is insightful and proactive and is a well-respected and professional operation that is valued by the Council's management'

'The standards expect internal audit services to take into consideration the organisational ethics when planning their work, something that is often difficult to achieve and often overlooked by Heads of Internal Audit. This is not the case for Telford and Wrekin as they use an 'ethics' questionnaire as part of their testing process when carrying out audits where sound ethical standards are a key element to the effective running of the activity. It is our opinion that this is an example of good practice that many other local authority internal audit services should consider adopting.'

3.6 The report did include six '*minor observations*' that have been classified as advisory as they are more about enhancing the service rather than conformance to the standards. All of the actions have been accepted and will be implemented in full.

4.0 Summary of main proposals

4.1 There are no proposals relating to this report as it is for information only.

5.0 Alternative Options

5.1 There are no options relating to this report as it is for information only.

6.0 Key Risks

6.1 The risks and opportunities in respect to this report will be appropriately identified and managed

7.0 Council Priorities

7.1 The report supports the Council's values that are embedded in the delivery of all the Council's priorities

8.0 Financial Implications

8.1 The cost of the external assessment by CIPFA was £4.4k and will be met from within existing resources in 2022/23. There are no further financial implications arising from this report. MLB 07.07.22.

9.0 Legal and HR Implications

9.1 The Accounts and Audit Regulations 2015 (Part 2, paragraph 5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.

There is also a requirement to comply with the Public Sector Internal Audit Standards. Undertaking the audits as set out in the report and providing updates to this Committee contributes towards meeting these requirements.

In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.

10.0 Ward Implications

10.1 The work of the Internal Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

11.0 Health, Social and Economic Implications

11.1 There are no health, social or economic implications.

12.0 Equality and Diversity Implications

12.1 All members of the Internal Audit Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified.

The procurement for the External Assessment will follow proper practices in respect to procurement and equalities.

13.0 Climate Change and Environmental Implications

13.1 All members of the Internal Audit Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager. The procurement process will ensure appropriate sustainability.

14.0 Background Papers

None.

15.0 Appendices

None.

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	10/06/2022	16/06/2022	RP
Finance	10/06/2022	07/07/2022	MLB