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Borough of Telford and Wrekin

Audit Committee

Tuesday 24 January 2023

6.00 pm

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

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

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AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 23 November 2022 at 6.00 pm in The Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Present: Councillors N A M England (Chair), C F Smith (Vice-Chair), W L Tomlinson, B Wennington and R C Evans

In Attendance: J Clarke (Senior Democracy Officer (Democracy)), K Clarke (CFO and Director: Finance & Human Resources), R Montgomery (Audit & Governance Lead Manager), E Rushton (Group Accountant), L Higgins (Customer Relationships & Welfare Services Service Delivery Manager) and R Zacharek (Customer Relationship and Quality Assurance Team Leader)

Apologies: Councillors V J Holt

AU49 Declarations of Interest

None.

AU50 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 19 July 2022 be confirmed and signed by the Chair.

AU51 Audited Annual Statement of Accounts 2021/2022

The Director: Finance & Human Resources gave a verbal update on the position in relation to the Audited Annual Statement of Accounts 2021/22.

Draft Accounts had been presented to the Committee at the end of May 2022. Due to changes in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and the need for a Statutory Instrument which needed to be laid before Parliament, it had not been possible for the Audit to be completed and the final Audited Accounts could not be brought before the Committee at this meeting.

The statutory deadline for the Accounts was the 30 November 2022 and where accounts had not been finalised the Council had to publish a notice on the website to say that the accounts were not yet completed and the reasons why.

During the Audit process no issues had been identified that would change the general fund balance and the Finance Team would continue to work with the External Auditors to bring the accounts to completion as soon as possible. It was intended to bring the final Audited Accounts to the January 2023 meeting for approval.

During the discussion some Members asked if there was a specified amount of time allowed for the finalisation of the Audited Accounts once the statement of non-completion had been published on the website, and whether there was clarity on the outcome of the consultation on Minimum Revenue Provision that had previously been discussed.
The Director: Finance & Human Resources stated that the outcome of the consultation was still awaited.

The External Auditors had made the same observation and confirmed that the differences were not material changes. Housing Companies would have an exemption but they may need to consider the PIP. It was expected that any changes would come into force on 1 April 2024 but a final response from the Government on the regulations was awaited.

Members noted the report.

AU52 <u>Report to those Charged with Governance 2021/2022</u>

Grant Thornton, External Auditors, presented a verbal update on the current position of the 2021/22 Audit.

The Audit was progressing and nothing had been found that would affect the general fund balance. Some technical accounting work was required around reserves.

A key issue preventing the completion of the Audited Accounts was the infrastructure changes. This was a sector issue which involved material infrastructure assets and derecognising assets if this work was undertaken appropriately.

The External Auditors were currently concentrating on the systems in place which managed the assets, the accounting and auditing standards.

It was expected that the Government would publish guidance on the 29 or 30 November 2022 and that any changes in regulations would come into force on 25 December 2022.

The External Auditors were still working through some resourcing challenges but were aiming to complete the Audit by Christmas and be in a position to give a final opinion in January 2023.

In relation to the Value for Money impact, the 2021/22 opinion had not yet been completed and they had written to the Chair in relation to the deadline.

The Audits in relation to teachers pensions and housing benefits claims were continuing to progress. There were no issues found in relation to significant risks and management controls.

A small amount of investment properties in relation to the valuation of land and buildings had been identified and a re-calculation of the gains would be required. An issue had been identified in relation to a NuPlace consolidation and an adjustment to the entries would be required and the sum being moved between reserves. This would not impact the general fund balance. There may also be a necessity to adjust the figures from prior years.

The audit of the Shropshire Pension Fund had identified a timing issue in relation to close down on the net pension liability with a £19m understatement of assets. A technical adjustment in relation to the revised £19m understatement would be required which would reduce the net liability and move the pension reserve.

Members noted the report.

AU53 <u>Value for Money Report 2020/2021</u>

Grant Thornton, External Auditors, presented a verbal update on Value for Money during 2020/2021.

The External Auditors value for money work had been delayed due to resourcing issues. There was a new reporting format for value for money. Sustainability, governance and economy and effectiveness were now the three reporting headings required. The use of plain English had also been introduced.

No significant weaknesses had been identified which would affect the audit opinion.

Different approaches in two areas covering financial stability and governance and the way that the Council approached fees and charges could be considered. The cost of living crisis for the borough and relieving the impact on local residents could also be other area of focus.

The External Auditors were comfortable with the responses that the Management had presented and there were no significant issues with Governance arrangements or the risk management process.

A Local Government Authority (LGA) peer review had taken place which had received positive feedback and the Medium Term Financial Strategy had already addressed issues that had been raised and the Council could now improve further on what was in place.

Focus for next year was economy, efficiency and procurement.

Although there were some overall improvements that could be made the External Auditors were satisfied with the Council’s current position.

During the discussion some Members expressed that it was a weakness for local authorities not to have an early indication of their allocation of funding in order to be able to plan for the future.

The External Auditors explained that the Government had committed to look at this going forward following dialogue with accounting networks which highlighted the challenges.

Members noted the report.

AU54 Customer Feedback Reports 2021/22

The Service Delivery Manager: Customer Relationships and Welfare Services and presented the Customer Feedback Report for 2021-22.

The report was presented to Cabinet in September 2022 and gave assurance that during the period 1 April 2021 and 31 March 2022, the Council's response to complaints was effective and that services were learning from complaints and wider customer feedback and continued to improve going forward.

There had been a sustained increase in compliments during the reporting period with a continued increase year of year with a 64% increase over the previous three years. Neighbourhood and Enforcement Services, Health and Wellbeing and Prosperity and Investment were the top three areas who received the most compliments.

Recent work undertaken in relation to improving services included the Mystery Customer Programme, the Satisfaction Survey and the Everything Speaks review. Mystery customers had been tasked with testing the new digital apps including the TLC app and a website reviews on areas such as leisure. The Customer Insight Programme enabled mystery customers to undertake regular assignments and there had been an 8% increase in volunteers.

Customer complaints were at their highest level with customer's expectations and demands changing following the covid 19 pandemic. The pandemic had allowed customers more time to focus on their likes and dislikes and this was a national trend. Across the Council during the reporting period 759 complaints had been received by 733 complainants. Neighbourhood and Enforcement Services received the highest number of complaints. There had been 33 Adult statutory complaints received which was a decrease on the previous year and the lowest number in six years. Children's Services statutory complaints totalled 24 which was also a decrease on the previous year and the lowest for some years. Despite the increase in complaints the Council had responded to 81% of complaints within a 15 day period. Responses to Children's statutory complaints had decreased from 23 working days in 2020/21 to 14 working days during the reporting period.

The Local Government and Social Care Ombudsman (LGSCO) Annual Review Letter 2022 detailed complaints that had been investigated during the last financial year. There had been 11 LGSCO investigations undertaken with 8 being upheld and although there was a small number of complaints this had a big impact on the percentages. Following the investigations any points of learning would be taken forward.

During the discussion some Members were pleased to see that complaints had decreased in the two most vulnerable areas and that compliments had increased. The Council had been mindful of customers and alongside the use of technology continued to allow customers to place telephone calls which was helpful particularly during the cost of living crisis. Other Members had received lots of compliments regarding the My Telford App.

Members noted the report.

AU55 Internal Audit Activity Update Report & PSIAS Action Plan Update

The Audit & Governance Lead Manager presented the Internal Audit Activity Update Report, PSIAS Action Plan Update and update on the Effectiveness of the Audit Committee Action Plan.

Members received a progress update made against the 2022/23 Internal Audit Plan which provided information on the recent work of Internal Audit during the period 23 June 2022 to 30 September 2022 and previous audit reports issued. The key focus for the team during this period was the completion of audits and commercial contracts.

During the reporting period nine audit report had been produced, two of which were reasonable and the remaining seven were good. This was a good direction of travel. The status of previously issued audit reports could be found at item 3.8 of the report and gave a very positive outlook.

Appendix 2 to the report gave details of the PSIAS Action Plan. Following the CIPFA External Assessment outcome there were some minor recommendations which had been implemented or were planned for future implementation and timetabled in.

In relation to the exercise which had taken place on the effectiveness of the Audit Committee, this had previously been presented to the Committee in January. All actions resulting from this exercise had been implemented or were due to be implemented at a future date.

Upon being put to the vote it was unanimously:

RESOLVED – that:

a) the Internal Audit planned work undertaken between 23 June 2022 to 30 September 2022 and the unplanned work to date be noted;

b) the update on the action plan of the Public Sector Internal Audit Standards (PSIAS) external assessment action plan be noted; and

c) the update on the effectiveness of the Audit Committee action plan be noted.

AU56 Exclusion of the Press and Public

RESOLVED - 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.

AU57 Cases Update

The Audit & Governance Lead Manager provided Members with an update on the current position in relation to a previously reported case.

Members noted the report.

The meeting ended at 6.51 pm

Chairman: ....

Date: Tuesday 24 January 2023

Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

Tuesday 24 January 2023

2022/23 Treasury Management Update Report and 2023/24 Treasury Management Strategy

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services
Lead Director:	Ken Clarke - Director: Finance & Human Resources
Service Area:	Finance & Human Resources
Report Author:	Edward Rushton - Group Accountant
Officer Contact Details:	**Tel:** 01952 383750 **Email:**edward.rushton@telford.gov.uk
Wards Affected:	All wards
Key Decision:	Not Key Decision
Forward Plan:	9 November 2023
Report considered by:	SMT 17 January 2023 Audit Committee 24 January 2023 Business Briefing 26 January 2023 Cabinet 16 February 2023 Full Council 2 March 2023

1.0 Recommendations for decision/noting:

Audit Committee members are asked to recommend that Full Council:

1.1 Note the treasury management activities to 31st December 2022 (Appendix A);

1.2 By by of vote, approve the Treasury Strategy 2023/24 (Appendix B), including the Annual Investment Strategy, together with the Minimum Revenue Provision Statement (Appendix B para 3.0, which will apply from 2022/23 onwards and Treasury Management Prudential Indicators (Appendix Bii); and

1.3 Note the Treasury Management Policy Statement (Appendix B para 4.0).

2.0 Purpose of Report

2.1 During the financial year the minimum reporting requirements, as required by regulations issued under the Local Government Act 2003, are 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 updates members on Treasury Management activities during 2022/23 (mid year treasury update report) and details the Treasury Management Strategy recommended to be adopted for 2023/24 (annual treasury strategy). The 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).

3.0 Background

3.1 The strategy in 2022/23 and recent years has been to limit investments in third parties, which reduces the Council's exposure to counterparty risk, and where possible and appropriate to take advantage of lowest interest rates for borrowing. Maintaining high levels of very cheap temporary financing has generated surplus treasury management returns of more than £30m since 2015/16 which has reduced the impact of Government cuts to the Council's grants and therefore helped to protect front line services.

The Council's Medium Term Financial Strategy for 2022/23 and the Cabinet's proposals issued for consultation in January 2023 for 2023/24 to 2026/27 include an allowance for interest rates based on advice from the Council's independent treasury management advisors which ensures that the Council's budget in relation to Treasury Management is as robust as possible. The Council will continue to receive regular advice from independent expert advisors specialising in all aspects of local government treasury management and we will act in accordance with the advice received.

The report also sets out expected external financing requirements. We have an excellent track record of complying with all the prudential indicators and limits agreed by Council and are operating well within the overall approved credit ceiling. The proportion of the Council's net revenue budget used to service loan repayment is 8.8% in the current financial year. This compares to 10.6% for the average unitary authority. The Council has increased its external financing requirements in recent years to include investment in NuPlace which provides high quality homes for rent from a reliable landlord, mainly at market rent levels and has enabled brownfield sites to be brought back in to use. The council has also expanded the Property

Investment Portfolio (the PIP) to attract and retain jobs for local people and to provide other regeneration benefits for our residents. An ancillary consequence of these investments is that it is anticipated they will bring long term capital growth which will strengthen the Council's balance sheet as well as generating revenue returns well in excess of the associated loan repayment charges. They will also bring other direct and indirect financial and other benefits to the residents of the Borough including additional income from council tax, business rates and new homes bonus which will be used to help support front line services such as Adult Social Care, as well as protecting and creating jobs for local people. The Council's solar farm generates an index linked surplus ater covering all associated costs including debt charges each year which is also used to help support front line services. The net surplus in the current year is expected ot be around £0.7m.

This report, and the Prudential Indicators report which will be considered by Cabinet on 16 February and Full Council on 2 March, sets out our overall approach to treasury management and the controls that are put in place to ensure that council taxpayers' interests are protected and risks are managed as effectively as possible.

4.0 Summary of main proposals

4.1 Treasury Management Update 2022/23

Treasury Management Portfolio at 31.12.2022

	31.3.2022 £m	31.12.2022 £m	Movement £m
Borrowing (excl. PFI)	282.7	301.3	18.6
Investments (excl. NuPlace)	(36.5)	(24.8)	11.7
Net indebtedness	**246.2**	**276.5**	**30.3**

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 3 March 2022 and by this committee on 25 January 2022. The Strategy is also a continuation of that used in recent years which has provided considerable benefits to the Council, i.e. to:-

- take new borrowing within shorter maturities before gradually lengthening maturities, and
- take advantage of longer term loans when opportunities arise.

Latest financial monitoring projections indicate a benefit of £3.9m from treasury management during 2022/23 which is supporting the provision of front line services and the Council's overall financial position.

Borrowing

To date in 2022/23 part of our Equal Instalment of Principal and Annuity PWLB loans have matured and 3 new PWLB loans totalling £20m have been taken (see Appendix A para. 3.1) as part of a gradual move to taking some longer term borrowing to mitigate potential exposure to interest rate rises. Alongside this, short term borrowing has been used to fund short term cash flow requirements and continue to take advantage of lower interest rates.

On 19 May 2022 the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment. This provided an opportunity for individuals to lend money to the Council which is being used to fund a range of projects across Telford & Wrekin to help tackle the climate emergency. Loans are for a 5 year period at a fixed interest rate of 2.10% per annum. 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. The loan raised £0.339m.

As referred to above, a large part of the Council's total existing borrowing and planned further borrowings relates to funding projects which will deliver important and significant housing and regeneration benefits as well as generating some income. These are budgeted to generate returns in excess of the annual loan repayment charges and other operating costs.

Investments

The overall investment strategy for 2022/23 is to gain maximum benefit but with security of the principal sum invested being the primary consideration. Overall the weighted average return on all internal investments for the year to date was 1.55%; with the paramount aim being to maintain security of principal investments have generally been placed with the Government's Debt Management Office. This return compares to a benchmark return for the period of 1.55% based on the average overnight rate with the Debt Management Office (DMO).

A schedule of short-term investments as at 31 December 2022 is shown at Appendix Ai.

The Markets in Financial Instruments Directive II (MIFID II) came into place on 3 January 2018 and the Council has opted to be categorised as a professional client which allows access to financial services and advice it may otherwise be unable to obtain (such as advice from our treasury advisors). As part of the regulations, the authority must hold a minimum investment balance which is currently set at £10m.

Economic Data

The Bank of England has continually increased the base rate throughout 2022/23 as it continues to seek to control increasing inflation which hit a 40 year high of 11.05% (CPI) in October before falling slightly to 10.67% in November 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. The fallout from the economic uncertainty caused by the 'Truss Governments' mini budget in September led to further interventions from the Bank of England. In December the Base Rate was increased by 0.5% to 3.5%, its highest level in 14 years and an increase of

2.75% since April 2022. It is anticipated that the base rate will continue to rise throughout 2022/23 finishing the year at 4.25%, peaking in mid 2023 at 4.5% before falling from January 2024 onwards.

Treasury Management Advisor

The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors. Link currently provide treasury advisory services to over 400 public sector clients in the UK and are experienced and well-resourced to support our treasury function.

The full report is included an Appendix A

4.2 Treasury Management Strategy 2023/24

The Council's Treasury Management Strategy is set within the parameters of the relevant statute, guidance and accounting standards which include the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in Public Services (2021) and the Prudential Code (2021). The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The Council is currently expected to need to borrow an additional £125.8m in 2023/24 based on the current capital programme plans and will adopt a flexible approach to borrowing. In consultation with its treasury management advisors consideration will be given to affordability, maturity profile of existing external financing, interest rate and refinancing risk as well as borrowing source, which is usually expected to be other Local Authorities or the Public Works Loan Board, but may also include Municipal Investment Loans, the LGA Municipal Bonds Agency, European Investment Bank or commercial sources, and any new opportunities which may arise.

The strategy for any investments will generally be to minimise investments in order to reduce counter-party risk and to reduce net interest costs as longer-term borrowing rates will tend to be greater than we are able to earn on new investments, but we will look to lengthen investment periods, where cash flow permits, to achieve higher interest rates within acceptable risk parameters. We would generally anticipate holding investments equal to the requirements set out under MIFID II, currently £10m. Maximum investment levels with counterparties will be set to ensure prudent diversification is achieved whilst recognising that the strict investment criteria that the Council applies severely reduces the number of suitable available counterparties and therefore sums with individual counterparties may be up to £15m at any one time.

The full report is included at Appendix B and also includes:

- the Council's Minimum Revenue Provision Statement 2023/24
- the Councils Treasury Management Policy Statement 2023/24, and

- the Treasury Management Prudential Indicators for 2023/24.

5.0 Alternative Options

5.1 The Council must ensure that it manages its finance in accordance with Legislation and the CIPFA code of practice. The recommendations in this report support that aim and are based on consideration of a range of factors.

6.0 Key Risks

6.1 The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

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 These are detailed in the body of the report and the appendices.

9.0 Legal and HR Implications

9.1 The Council's Treasury Strategy has to comply with the relevant statute, codes and guidance which are set out both in the main body of this report and its appendices. This reports demonstrates that the Council has had regard to the CIPFA guidance as required by the Local Government Act 2003.

9.2 The Director: Finance & Human Resources (Section 151 Officer) has responsibility for the administration of the financial affairs of the Council. In providing this report the Director: Finance & Human Resources is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) 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." This requirement within the Constitution reflects the requirements of the Local Government Finance act 1988 to appoint an officer who is responsible for the good financial administration of an authority.

9.3 The Local Government Finance Act 1992 requires authorities to set a balanced budget; the proposals in this report, together with other budget-related reports, demonstrates that the Council meets this requirement.

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 4.1 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 CIPFA Treasury Management in the Public Services – Code of Practice and cross-sectional guidance notes (2021 edition)
2 CIPFA The Prudential Code for Capital Finance in Local Authorities (2021 edition)
3 Local Government Act 2003
4 Treasury Management Strategy Template provided by Link Treasury Services

15.0 Appendices

A 2022/23 Treasury Management update Report
B 2023/24 Treasury Management Strategy

16.0 Report Sign Off

Signed off by	**Date sent**	**Date signed off**	**Initials**
Finance	04/01/2023	06/01/2023	PH
Legal	10/01/2023	10/01/2023	RP
Director	10/01/2023	14/01/2023	KC

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Treasury Update Report 2022/23

Telford & Wrekin Council

Contents

Treasury Management Update Report 2022/23

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce a Treasury Update Report to review activities and actual prudential and treasury indicators for 2022/23. 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 2022/23 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 (this report) and
- an annual review following the end of the year describing the activity compared to the strategy.

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 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 on 25 January 2022 and 24 January 2023 in order to support members' scrutiny role.

Executive Summary

During 2022/23, 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	31.3.22 Actual £m	2022/23 Original £m	2022/23 Revised Estimate £m	31.12.22 Actual £m
Capital expenditure				
• Total	57.367	139.578	87.157	53.442
Capital Financing Requirement:				
• Total	500.140	601.793	527.949	527.949
• Less Other Long Term Liabilities	(50.880)	(47.888)	(47.888)	(47.888)
• Loans CFR	449.260	553.905	480.061	480.061
Gross borrowing				
• External Debt	282.743	401.700	314.336	301.322
Investments				
• Under 1 year	36.522	15.000	15.000	24.765
Net borrowing				
• Total	246.221	386.700	299.336	276.218

Other prudential and treasury indicators are to be found in the main body of this report.

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 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.

2022/23 TREASURY MANAGEMENT UPDATE

1.0 Treasury Position as at 31st December 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 which includes member reporting as detailed in the summary.

At the 31st December the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

TREASURY PORTFOLIO	31.3.22 Principal £m	31.12.22 Principal £m	Movement in Principal £m
Fixed rate debt (+1yr)	241.714	253.293	11.579
Temporary debt (-1yr)	41.029	48.029	7.000
Total debt	**282.743**	**301.322**	**18.579**
Total investments	**36.522**	**24.765**	**(11.757)**
Net debt (exc. Nuplace)	**246.221**	**276.218**	**29.997**
Investment in NuPlace	**16.900**	**18.800**	**1.900**
Net debt (inc. Nuplace)	**229.321**	**257.418**	**28.097**

The maturity structure of the debt portfolio was as follows:

MATURITY STRUCTURE – DEBT (assumes 31st March)	31.3.22 Actual		2022/23 original limits %		31.12.22 Actual	
	£m	%	Lower	Upper	£m	%
Under 12 months	51.430	28.2	0.0	70.0	19.889	6.6
12 months and within 24 months	10.250	2.5	0.0	30.0	11.640	3.8
24 months and within 5 years	31.807	7.7	0.0	50.0	74.872	24.9
5 years and within 10 years	42.899	9.7	0.0	75.0	47.809	15.9
10 years and above*	146.357	51.9	25.0	100.0	147.066	48.8

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

The maturity structure of the investment portfolio was as follows:

MATURITY STRUCTURE – INVESTMENTS (exc. NuPlace Ltd)	31.3.22 Actual £m	31.12.22 Actual £m
Investments		
Longer than 1 year	0	0
Up to 1 year	36.522	24.765
Total	**36.522**	**24.765**

2.0 Interest Rates

The Bank of England has continually increased the base rate throughout 2022/23 as it continues to seek to control increasing inflation which hit a 40 year high of 11.05% (CPI) in October before falling slightly to 10.67% in November 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. The fallout from the economic uncertainty caused by the Truss Governments mini budget in September led to further interventions from the Bank of England. In December the Base Rate was increased by 0.5% to 3.5%, its highest level in 14 years and marked an increase of 2.75% since the beginning of the financial year. It is anticipated that the base rate will continue to rise throughout 2022/23 finishing the year at 4.25%, peaking in mid 2023 at 4.5% before falling from January 2024 onwards.

3.0 Borrowing

At the 31st December the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

DEBT PORTFOLIO	31.12.22 Principal £m	Average Interest Rate %
Fixed rate funding:		
- PWLB	212.954	2.50
- Market	40.000	4.17
- Municipal Investment	0.339	2.10
Variable rate funding:		
- Temporary	48.029	1.56
Total debt	**301.322**	**2.60**

The borrowing strategy for the current year has been to borrow temporarily to take advantage of low interest rates where possible and to undertake new longer term borrowing initially in shorter maturities before gradually extending maturities.

3.1 New Borrowing

Between the period 1 June 2022 (previous Member update) and 31 December 2022, £30.0m of temporary loans have been raised in order to fund short-term cash flow requirements. Interest rates have ranged from 1.11% to 3.90%. The outstanding temporary borrowing at 31 December 2022 was £48.0m.

To date in 2022/23 £8.9m of our Equal Instalment of Principal and Annuity PWLB loans have matured and a further £1.9m are due to mature prior to the end of the financial year. 2 new PWLB loan, totalling £15m, have been taken since 1 June 2022 meaning that 3 new loans have been raised during the year.

Lender	Date Raised	Principal £m	Type	Interest Rate %	Duration
PWLB	28.04.2022	5.0m	Fixed interest rate - Annuity	2.56	10 years
PWLB	9.8.2022	5.0m	Fixed interest rate - EIP	2.34%	12 years
PWLB	15.12.2022	10.0m	Fixed interest rate - Maturity	4.16%	1.5 years

On 19 May 2022 the Council launched a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment. This provided 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. Loans are for a 5 year period at a fixed interest rate of 2.10% per annum. 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. The loan raised £0.339m.

3.2 Rescheduling

During 2022/23 no rescheduling of debt has taken place as market conditions have not been favourable, however the scope for opportunities is regularly monitored.

4.0 Treasury Management Investments

At the 31st December the Council's treasury position was as follows:

INVESTMENT PORTFOLIO	31.12.22 Actual £m	31.12.22 Actual %	Credit Rating	Weighted Credit Score
Treasury investments				
Banks	7.785	31.4	A+	1.57
Debt Management Office (H.M. Treasury)	12.000	48.5	AAA	0.48
Money Market Funds	4.980	20.1	AAA	0.20
Total Treasury Investments	**24.765**	**100.0**		**2.26**

The Authority's objective when investing money for Treasury Management purposes is to strike an appropriate balance between risk and return. The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate.

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Based on this the Treasury Management Prudential Indicator in relation to Credit Risk is a score of 6 or lower, which is equivalent to a weighted average credit rating of 'A' or higher across the investment portfolio. As at 31 December 2022 the weighted average credit rating for Investments held was 2.26 (which is within the indicator). Further information regarding credit rating is detailed in Appendix Ai.

The Council's treasury management investments are mainly internally managed and are currently held as temporary investments for cash flow purposes.

For the period to 31st December 2022 some £7.9bn worth of investments have been placed with the Debt Management Office (DMO), Lloyds Bank and Money Market Funds. Rates have ranged from an average of 0.53% to 3.15%

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.

In line with the approved Treasury Management Prudential Indicator, the Council can place up to £15.0m with any Counterparty, with the exception of H.M. Treasury's DMO facility which is Government backed and therefore considered to be very secure so no limit is placed on investments. At the end of December the greatest exposure with a single counterparty was £12.0m (48.5% of the portfolio) with the DMO.

The Council is guided by its Treasury advisers in assessing investments.

4.1 Longer Term Treasury Management Investments

The Council currently holds no long-term Treasury Management Investments.

4.2 Overall Performance

Overall, the weighted average return on all internal treasury management investments for the year to date to 31st December 2022 was 1.55%. This compared to a benchmark return for the period of 1.55%, based on the average overnight rate with the Debt Management Office (DMO) / 7 Day Sonia Rate. The security of principal sums invested is paramount.

5.0 Leasing

Each year the Council arranges operating and finance leases for assets such as vehicles, computers and equipment. This helps to spread the cost of the acquisition over a number of years.

To date, there have been no lease requests made for 2022/23.

6.0 Projected Performance

The Chief Financial Officer and other Senior Finance Officers closely monitor the Treasury position, particularly with the likelihood of the continuing interest rate rises. Latest financial monitoring projections indicate a projected benefit of £3.900m from treasury management activities in year. Updates will be provided in future financial monitoring reports taken to Cabinet.

7.0 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. The Government conducted a follow up survey in November 2022. It is currently intended that the proposed changes will take effect from at the earliest April 2024. When the revised basis is finalised, going forward, the Council will prepare its budget on the revised basis.

Credit Ratings – A Guide.

Long-term credit ratings and Sovereign Ratings

Fitch Rating' long-term credit ratings are set up along a scale from 'AAA' to 'D', first introduced in 1924 and later adopted and licensed by Standard & Poors (S&P). Moody's also uses a similar scale, but names the categories differently. Like S&P, Fitch also uses intermediate modifiers for each category between AA and CCC (i.e., AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB- etc.).

Investment grade

- **AAA** : the best quality, reliable and stable
- **AA** : good quality, a bit higher risk than AAA
- **A** : economic situation can affect finance
- **BBB** : medium class counterparties, which are satisfactory at the moment

Non-investment grade

- **BB** : more prone to changes in the economy
- **B** : financial situation varies noticeably
- **CCC** : currently vulnerable and dependent on favourable economic conditions to meet its commitments
- **CC** : highly vulnerable, very speculative bonds
- **C** : highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations
- **D** : has defaulted on obligations and Fitch believes that it will generally default on most or all obligations
- **NR** : not publicly rated

Short-term credit ratings

Fitch's short-term ratings indicate the potential level of default within a 12-month period.

- **F1+** : best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
- **F1** : best quality grade, indicating strong capacity of obligor to meet its financial commitment
- **F2** : good quality grade with satisfactory capacity of obligor to meet its financial commitment
- **F3** : fair quality grade with adequate capacity of obligor to meet its financial commitment but near term adverse conditions could impact the obligor's commitments
- **B** : of speculative nature and obligor has minimal capacity to meet its commitment and vulnerability to short term adverse changes in financial and economic conditions
- **C** : possibility of default is high and the financial commitment of the obligor are dependent upon sustained, favourable business and economic conditions
- **D** : the obligor is in default as it has failed on its financial commitments.

Support Ratings (1 – 5)

The Purpose and Function of Support Ratings

Support Ratings are Fitch Ratings' assessment of a potential supporter's propensity to support a bank and of its ability to support it. Its propensity to support is a judgment made by Fitch Ratings. Its ability to support is set by the potential supporter's own Issuer Default Ratings, both in foreign currency and, where appropriate, in local currency. Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

Timeliness and Effectiveness Requirements
Fitch Ratings' Support Rating definitions are predicated on the assumption that any necessary "support" is provided on a timely basis. The definitions are also predicated on the assumption that any necessary support will be sufficiently sustained so that the bank being supported is able to continue meeting its financial commitments until the crisis is over.

Obligations and Financial Instruments Covered
In terms of these definitions, unless otherwise specified, "support" is deemed to be in terms of foreign currency. It is assumed that typically the following obligations will be supported: senior debt (secured and unsecured), including insured and uninsured deposits (retail, wholesale and interbank); obligations arising from derivatives transactions and from legally enforceable guarantees and indemnities, letters of credit, and acceptances; trade receivables and obligations arising from court judgments.

Likewise, the agency does not assume that the following capital instruments will be supported when sovereign support is involved: preference/preferred shares or stock; hybrid capital (tier 1 and upper tier 2), including reserve capital instruments (RCIs) and variations upon RCIs; and common/ordinary equity capital. It is also assumed that there will be no support for any moral obligation on securitizations. The sovereign support status of subordinated debt is difficult to categorize in advance; it is assessed on a case by case basis, distinguishing among different jurisdictions.

Definitions:

1: A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2: A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.

3: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.

4: A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.

5: A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

GLOSSARY

Term	Meaning
Annuity	A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion in interest reduces and the proportion of principal repayment increases over time.
Authorised Borrowing Limit	The maximum amount the authority can borrow at any point of time in the year. This limit should never be exceeded. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Bail-in	A method of rescuing a failing financial institution by cancelling some of its deposits and bonds. Investors may suffer a haircut but may be given shares in the bank as part compensation. See also bail-out
Bail-out	A method of rescuing a failing financial institution by the injection of public money. This protects investors at the expense of the taxpayer.
Call account	A deposit account that can be called back, normally on instant access.
Capital Financing Requirement CFR)	This represents the underlying need for the authority to borrow and represents the assets of the authority less the long term capital liabilities.
Credit Default Swaps (CDS)	CDS are bought by investors to insure against defaults (i.e. the counterparty not being able to repay). The higher the cost/premium then the higher the risk – CDS therefore given a market view of the credit worthiness of an organisation.
Credit Ratings	Rating on the ability of an organisation to meet its obligations; ratings are assigned by independent, specialist companies, such as Fitch and Moody's using market intelligence they gather.
Credit Risk	The risk that the debtor will default on their obligations
Counterparty	The organisation that you are conducting your business with.
Debt Management Account Deposit Facility	Provided by the Debt Management Office, users can place cash in secure fixed-term deposits. Deposits are guaranteed by the government and therefore have the equivalent of a sovereign triple-A credit rating.
Derivative Instruments	A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage. For example, a stock option is a derivative because it derives its value from the value of a stock. An interest rate swap is a derivative because it derives its value from one or more interest rate indices.
Discounts	These relate to Public Works Loans Board loans. If rates have increased since the borrowing was undertaken then part of the benefit that PWLB will achieve from being able to

	loan out at that higher rate are passed back to an authority if they repay the loan early.
Fund Managers	Independent investment managers who work to a specific mandate and invest funds on behalf of the Council
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Inflation	The rise in prices of goods and services over a period of time.
Interest Rate Risk	The risk that the value of an investment will change due to changes to the interest rate.
Internal Borrowing	This is where the amount of an authority's borrowing is less than its CFR or underlying need to borrow and represents the use of internal balances rather than borrowing from the market.
LIBID	London inter-bank bid rate. Interest rate at which prime banks will **borrow** money in the London inter-bank market.
LIBOR	London inter-bank offer rate. Interest rate at which prime banks will **lend** money in the London inter-bank market. Fixed every day by the British Bankers Association to five decimal places.
Liquidity Risk	The risk of not being able to trade an investment quickly to release cash.
LOBO	Lender's Option Borrower's Option – a long term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower's interest rate risk and the loan should therefore attract a lower rate of interest initially.
Minimum Revenue Provision (MRP)	This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Money Market Fund (MMF)	Mutual funds that invest in short term debt instruments. They offer a higher level of security than banks and interest rates are generally higher.
Obligor	An individual or company that owes debt to another individual or company (the creditor), as a result of borrowing or issuing bonds.
Operational Borrowing Limit	The amount the authority would normally borrow at any point of time in the year. This boundary might be exceeded temporarily but only in exceptional circumstances. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Premia	This is the penalty applied to the early redemption of PWLB loans where rates have fallen since the loan was undertaken.
Prudential Code	A professional code of practice which provides regulatory framework to local authorities on capital expenditure, investments and borrowing activities.
Prudential Indicators	A set of indicators developed within the Prudential Code which define thresholds for investment and borrowing within a local authority.

PWLB	Public Works Loans Board – a Government agency providing long and short term loans to local authorities. Interest rates are generally lower than the private sector and slightly higher than the rates at which the Government themselves may borrow.
Quantitative Easing	This is where the government buy back their own gilt issuance to effectively pump money into the financial markets of the economy.
Re-scheduling	This relates to repaying existing borrowing early and replacing it with borrowing for a different period usually, but not necessarily, at lower rates
Return	The gain from holding an investment over a given period
Security	An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government or other organisation which offers evidence of debt or equity.
SONIA	Sterling Overnight Interbank Average – a key Bank of England interest rate benchmark; it is a measurement of the cost of borrowing and reflects the average of interest that banks pay to borrow sterling overnight from other financial institutions.
Sovereign Exposure	Risk of exposure to one particular country.
Supranational Bonds	These are bonds (similar to gilts) issued by multi government development organisations and are supported by all of the governments who form part of the organisation. E.g. European Investment Bank and are usually very secure.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.

Treasury Management Strategy 2023/24

(including Minimum Revenue Provision Statement 2023/24 & Treasury Management Policy Statement 2023/24)

Telford & Wrekin Council

Contents

Treasury Management Strategy 2023/24

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management strategy for 2023/24. 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 2023/24 the minimum reporting requirements are that the Full Council should receive the following reports:

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

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 on 25 January 2022 and on 24 January 2023 in order to support members' scrutiny role.

1.0 Background and Context

1.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The Council's Capital

Strategy is included as part of the suite of Medium Term Financial Strategy reports which are approved by Full Council each year.

Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers: -
    - the capital plans, (including prudential indicators)
    - a minimum revenue provision (MRP) policy, (how capital expenditure funded by borrowing is charged to revenue over time)
    - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - the above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Audit Committee.

Quarterly reports – The Authority will receive 4 update reports as part of the regular financial monitoring taken to Cabinet.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.6 Prospects for Interest Rates (provided by Link)

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

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

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

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

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

1.7 Local Context

The Authority's current level of external financing and investments is set out in summary below and in detail at Appendix Bi.

Table 1: Net Investments / Net Borrowing

External Financing & Investments (£m)	Current Portfolio	31.3.23 Estimate	31.3.24 Estimate	31.3.25 Estimate	31.3.26 Estimate
Total External Borrowing	301.3	314.3	440.2	494.9	512.9
Other Long Term Liabilities	48.0	48.0	44.7	41.1	38.4
Total Gross External Debt	**349.3**	**362.3**	**484.9**	**536.0**	**551.3**
Total Investments	24.8	15.0	15.0	15.0	15.0
Net Borrowing	**(324.5)**	**(347.3)**	**(469.9)**	**(521.0)**	**(536.3)**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers of the Authority's Treasury Management activities.

The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2024/25. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

The forecasted movement in the CFR in coming years is one of the Prudential Indicators (PIs). The estimates, based on the current Revenue Budget and Capital Programmes, are:

Table 2: Capital Financing Requirement (CFR)

Capital Financing Requirement (£m)	31.3.22 Actual	31.3.23 Estimate	31.3.24 Estimate	31.3.25 Estimate	31.3.26 Estimate
Capital Financing Requirement	500.140	527.951	649.408	698.317	711.154
Less: Other long term liabilities*	(50.880)	(47.888)	(44.547)	(41.146)	(38.428)
Loans CFR	**449.260**	**480.063**	**604.861**	**657.171**	**672.726**
Less: External Borrowing**	(282.743)	(314.347)	(239.485)	(218.070)	(206.363)

Internal (over) Borrowing	**166.517**	**165.716**	**365.376**	**439.101**	**466.363**
Less: Balance Sheet resources	(203.039)	(189.694)	(180.830)	(176.719)	(176.719)
Treasury Investments / (New Borrowing)	**36.522**	**23.987**	**(184.546)**	**(262.382)**	**(289.644)**

* leases and PFI liabilities that form part of the Authority's total debt
** shows only loans which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The above table shows an increasing CFR due to the capital programme, but minimal investments, and will require the Council to undertake additional longer term borrowing. Conversion from temporary borrowing to fixed long-term borrowing may also be required at the most appropriate time for the Council, dependent on market conditions.

The row relating to external borrowing includes debt associated with funding the Council's Housing Investment Programme through NuPlace, the Telford Growth Fund/PIP investments, solar farm and other investments that have an element of income generation. The anticipated income from these projects is projected to generate a surplus after funding the debt and operational costs which will be used to support front line services. The outstanding debt relating to the Housing Investment Programme could be repaid by the eventual sale, in many years' time, of some or all of the properties held by the Council's wholly owned company.

It is evident from the Council's balance sheet at the 31 March 2022 that the value of long-term assets outweighed the total borrowing. It is expected that the value of asset will continue to increase as additional borrowing is undertaken.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Comparing Tables 1 & 2 above shows that the Authority expects to fully comply with this recommendation.

Capital and Treasury Management Prudential Indicators: There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Treasury Management and Prudential Indicators. These indicators are used to measure and manage the Authority's measures exposure to treasury management risks including –

- Capital Expenditure & Financing
- Capital Financing Requirement (CFR)
- Limits to Borrowing Activity
- Liability Benchmark
- Security
- Liquidity
- Interest Rate Exposure
- Maturity Structure of Fixed Rate Borrowing
- Principle sums invested for periods longer than a year

Capital and Treasury Management Prudential Indicators are detailed in Appendix Bii.

2.0 Treasury Management Strategy for 2023/24

2.1 Borrowing Strategy

The Authority holds £301.322m of loans as at 31 December 2022, an increase of £18.579m on the end of the previous financial year. It is anticipated that the total cumulative borrowing will increase to £314.3m by the end of 2022/23 in line with the approved Capital Programme.

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

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With the forecast for interest rates anticipated to peak in June 2023 before starting to reduce from Quarter 1 2024 it is likely to be more cost effective in the short-term to either use internal resources, or to borrow through the use of short-term loans, up to 1 year.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next year given to current interest rate forecast, over the medium-term we will make gradual moves into longer term borrowing as and when attractive opportunities arise. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. External advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Historically, the Authority has raised the majority of its short term borrowing form the Local to Local market i.e. Local Authorities lending to and borrowing from each other, and this is likely to remain a major source going forward. The Authority may also consider the option of borrowing short term from the PWLB.

Likewise, the Authority has raised the majority of its long-term borrowing from the PWLB and this is likely to be a major source of borrowing going forward. The Authority may also consider alternative options for borrowing any long-term loans, such as banks, pension funds and local authorities, and the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

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

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

Sources of Borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Registered Housing providers
- Capital market bond investors
- Community Municipal Investments (Bond or Loan) raised from the general public (including a climate change investment opportunity).

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

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

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

LOBOs: The Authority holds £25.0m (8.5% of the debt portfolio) of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £20.0m of these LOBOs have remaining options prior to the end of the financial year, and although the Authority understands that lenders are very unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing opportunity. Rates payable were competitive compared to PWLB rates at the time that the loans were taken out. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will not increase from the current £25.0m.

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

Borrowing in advance of need: The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

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

2.2 Treasury Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the current financial year, the Authority's investment balance has ranged between £12.7m and £49.3m (the later was due to a combination of grant instalments, capital receipt and borrowing undertaken at favourable rates). We generally expect to maintain an investment balance of between £10.0m and £25.0m, at each month end, in the forthcoming year – unless the MIFID requirement is relaxed in which case the amount of investment held may reduce.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy: All of the Authority's surplus cash remain will be invested in a mix of the UK Government through the Debt Management Account Deposit Facility (DMADF), short-term unsecured bank deposits and money market funds. This diversification of investments will represent a continuation of the strategy adopted in 2022/23.

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

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types listed in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Sector	Time limit	Counterparty limit £m	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	15.0m	Unlimited
Secured investments*	25 years	15.0m	Unlimited
Banks (unsecured)*	13 months	15.0m	Unlimited
Building societies (unsecured)*	13 months	15.0m	Unlimited
Registered providers (unsecured)*	5 years	15.0m	Unlimited
Money market funds*	n/a	10.0m	Unlimited
Strategic pooled funds	n/a	10.0m	Unlimited
Real estate investment trusts	n/a	10.0m	Unlimited
Other investments*	5 years	7.5m	Unlimited

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of one third of the available investment per counterparty as part of a diversified pool.

Government: Loans to, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is a lower risk of insolvency, although they are not without risk. Investments with the UK Government may be made in unlimited amounts for up to 50 years.

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

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

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

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

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £15.0m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

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

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

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

Investment Limits: The Authority has revenue reserves, which could be used to cover investment losses which were £137.6m on 1st April 2022 although not all of these are available. In order that no more than 50% of reserves (as recommended by the code) will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million, which is clearly well within the limit. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes.

Limits, of £15 million, will also be placed on investments in brokers' nominee accounts (e.g. King & Shaxson), foreign countries and industry sectors. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries**.**

Approved Instruments: The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts
- fixed term deposits and loans
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £5 million in total

- certificates of deposit
- bonds, notes, bills, commercial paper and other marketable instruments, and shares in money market funds and other pooled funds,

Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as SONIA, subject to the limits on interest rate exposures below.

Liquidity management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

2.3 Investments that are not part of Treasury Management Activity

The definition of Treasury Management Activity includes all the investments of the Council. This may include investment activity which is outside the purpose of normal treasury management. Public sector organisations may have investments for various purposes –

- **Investments for treasury management purposes** – are those investments that arise from the organisations cash flows or treasury risk management activity and ultimately represent balances which need to be invested until the cash in required for use in the course of business.
- **Investments for service purposes** – are taken or held primarily for the provision and for the purpose of delivering public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.
- **Investments for commercial purposes** – are long term investments taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

Investments for both services purposes and commercial purposes are covered in greater detail in the Investment Strategy Report and Capital Strategy Report which will be presented to Cabinet on 16th February 2023 and then Full Council on 2nd March 2023.

2.4 Ethical Investments

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 suitably credit assessed.

The Council's lending activity will be subject to (in order of rank)

- the assessment of meeting the minimum lending criteria as specified in the current Treasury Management Strategy and the minimum credit ratings as outlined in the Strategy.

- meeting the Security, Liquidity & Yield (SLY) criteria as set out in the current Treasury Management Strategy, and
- investments are not contrary to the values outlined in the Ethical Investment Framework (Appendix Bv)

2.5 Related Matters

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

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

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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

Markets in Financial Instruments Directive (MIFID): The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

2.6 Financial Implications

The budget for investment income in 2023/24 is £0.27m, based on an average investment portfolio of £15.0m at an interest rate of 1.8%. The budget for debt interest paid in 2023/24 is £12.758m, based on an average debt portfolio of £361.852m at an average interest rate of 3.53%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. Such differences will be reported through regular financial monitoring to Cabinet.

2.7 Balanced Budget Requirement

The Authority complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

3.0 Minimum Revenue Provision Statement 2023/24

3.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 08 (SI 08/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

(NB - this does not preclude other prudent methods.)

MRP in 2023/24: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

The MRP Statement will be submitted to Council before the start of the 2023/24 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

The Council will calculate MRP by the following methods –

Historic MRP (re pre 2007/08 borrowing). This will be calculated by dividing the balance at 31/3/07 (calculated in accordance with regulations) by 50 for an annual charge that charges over a finite period rather than a 4% reducing balance. Broadly in line with option 3.

MRP in respect of prudential borrowing, government supported allocations since 2007/08 and PFI will be charged over the life of the asset on an annuity basis (option 3 in the regulations).

MRP for borrowing in respect of NuPlace is set at £0 due the expectation that the value will appreciate over time and that the houses could all eventually be sold in which case the Council would apply the capital receipts arising to reduce the Capital Financing Requirement until the original principal borrowed had been fully repaid.

Along the same lines as NuPlace, MRP for borrowing in respect of the Council’s Property Investment Portfolio will be calculated as 20% of the value of the annuity MRP to reflect that although there will normally be capital appreciation, although a downturn in the economy could result in reductions in value of commercial/industrial investment properties.

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. The Government conducted a follow up survey in November 2022. It is currently intended that the proposed changes will take effect from at the earliest April 2024. When the revised basis is finalised, going forward, the Council will prepare its budget on the revised basis.

MRP in respect of leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability which is broadly in line with the life of the asset.

Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25.

4.0 Treasury Management Policy Statement 2023/24

4.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Treasury Management Code (TM Code)), as described in Section 5 of the TM Code.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Investment Management Practices (IMPs) for investments that are not for treasury management purposes.

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Audit Committee and for the execution and administration of treasury management decisions to Director: Finance & Human Resources, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4.2 Policies and objectives of Treasury Management Activities

The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt. The Council will look to minimise borrowing through the use of maturing investments to fund capital expenditure rather than reinvestment.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations. Generally as investments mature they will not be reinvested but be used to minimise borrowing.

5.0 Other Items

5.1 Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

The Director: Finance & Human Resources will report to the Audit Committee on treasury management activity / performance and Performance Indicators as follows -

- Half yearly against the strategy approved for the year. The authority will produce an outturn report on its treasury activity no later than 31st July after the financial year end and an update report alongside the Treasury Strategy in the last quarter of the financial year.

Audit Committee will be responsible of the scrutiny of treasury management activity and practices.

A detailed list of the Treasury Management Section of Delegation and the Treasury Management Role of the Section 151 Officer are included at Appendix Biv.

5.2 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The scale and nature of knowledge and training requirements will depend on the size and complexity of the organisation's treasury management needs.

Based on our treasury management portfolio the approach we will adopt is:

- Record attendance at training and circulate training materials to those unable to attend; also ensure action is taken where poor attendance is identified.
- Discuss and agree learning plans as part of APPD / 1-to-1 for treasury management officers; consider training plan requirements for members.
- Consider self-assessment requirements for both treasury management officers and relevant members.
- Periodically ask treasury management officers and relevant members to highlight any training needs.

Training has been undertaken by members in January 2022 and January 2023 and further training will be arranged as required.

A formal record of the training received by officers central to the Treasury function will be recorded as part of the APPD process. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Treasury Function.

5.3 Treasury Management Consultants

The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Existing Treasury Portfolio Projected Forward

Treasury Portfolio (£m)	Current Portfolio	%	31.3.23 Estimate	31.3.24 Estimate	31.3.25 Estimate	31.3.26 Estimate
Fixed Rate External Debt:						
– PWLB	213.0	61.0	210.5	199.2	304.7	377.8
– LOBO	25.0	7.2	25.0	25.0	25.0	25.0
– Market	15.0	4.3	15.0	15.0	15.0	15.0
– Municipal Investments	0.3	0.1	0.3	0.2	0.2	0.1
– Temporary	48.0	13.6	63.5	200.7	150.0	95.0
Total External Debt	**301.3**	**86.2**	**314.3**	**440.2**	**494.9**	**512.9**
Long Term Liabilities						
PFI	47.7	13.7	47.7	44.5	41.1	38.4
Finance Leases	0.3	0.1	0.3	0.2	0.0	0.0
Total Long Term Liabilities	**48.0**	**13.8**	**48.0**	**44.7**	**41.1**	**38.4**
Total Gross External Debt	**349.3**	**100.0**	**362.3**	**484.9**	**536.0**	**551.3**
Investments:						
Short-term monies (Deposits / monies on call / MMFs)	24.8	100.0	15.0	15.0	15.0	15.0
Total Investments	**24.8**	**100.0**	**15.0**	**15.0**	**15.0**	**15.0**
(Net Borrowing) / Net Investments:						
Total	**(324.5)**		**(347.3)**	**(469.9)**	**(521.0)**	**(536.3)**

Capital and Treasury Management Prudential Indicators 2023/24

1.0 Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

The Authority measures and manages its exposure to treasury management risks using the following indicators.

2.0 Capital Expenditure and Financing:

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Capital expenditure (£m)	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total	57.367	87.160	180.958	72.655	18.005

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure (£m)	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	5.453	13.161	0.410	5.250	0.000
Capital grants	23.680	33.745	40.794	7.086	0.000
Revenue	0.459	1.126	1.848	0.000	0.000
External	7.444	7.527	12.063	5.603	0.000
Net financing need for the year	20.331	31.601	125.843	54.716	18.005

3.0 The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). See Table 2 – Capital Financing Requirement (CFR) in Section 1.7 above.

The Authority is asked to approve the CFR projections below:

Capital Financing Requirement (£m)	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total CFR	500.140	527.951	649.408	698.317	711.154
Movement in CFR		27.811	121.457	48.909	12.837

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The CFR Table above shows that the Authority expects to fully comply with this recommendation.

4.0 Limits to Borrowing Activity:

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary (£m)	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	475.0	545.0	605.0	625.0
Other long-term liabilities	60.0	50.0	50.0	50.0
Total	**535.0**	**595.0**	**655.0**	**675.0**

The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

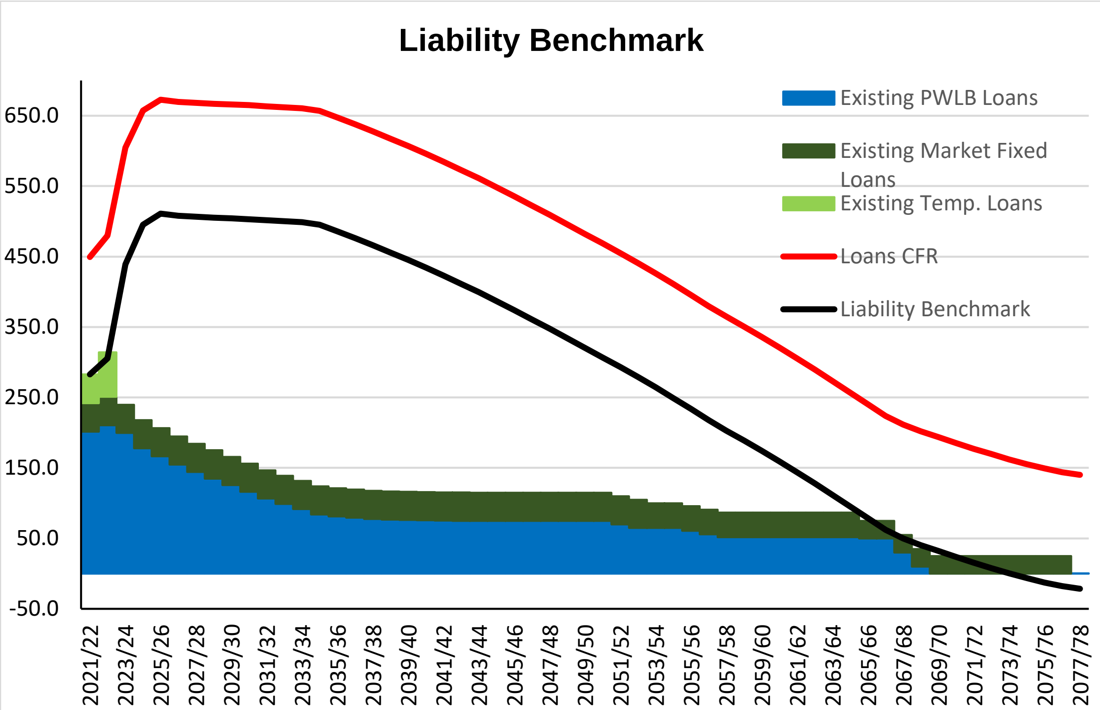
Authorised Limit (£m)	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	495.0	565.0	625.0	645.0
Other long-term liabilities	64.0	54.0	54.0	54.0
Total	**559.0**	**619.0**	**679.0**	**699.0**

5.0 Liability benchmark:

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as the Capital Financing Requirement (CFR), but that cash and investment balances are kept to a minimum level of £15m at each year-end to maintain sufficient liquidity but minimise credit risk.

Liability Benchmark (£m)	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	449.260	480.063	604.861	657.171	672.726
Less: Balance Sheet Resources	(203.039)	(189.694)	(180.830)	(176.719)	(176.719)
Net Loans Requirement	**246.221**	**290.369**	**423.031**	**480.452**	**496.007**
Plus: Liquidity Allowance	36.522	15.000	15.000	15.000	15.000
Liability Benchmark	**282.743**	**305.369**	**439.031**	**495.452**	**511.007**

Following on from the medium-term forecasts in the table above, the long-term liability benchmark has been calculated (see chart below) and assumes capital expenditure funded by borrowing in line with the capital programme, minimum revenue provision on new capital expenditure based on appropriate asset lives and balance sheet resources reducing in line with anticipated use of reserves.



The liability benchmark is a projection of the amount of loan debt outstanding which the authority needs each year into the future, in order to fund its existing debt liabilities, planned prudential borrowing and other cash flows.

The headroom for the future borrowing requirement is shown by the gap between the authority's existing loans which are still outstanding at a given future date, and the authority's future need for borrowing (as shown by the liability benchmark).

It therefore shows how closely the existing loans book fits the future needs of the authority based only on its current plans. Any shortfall will need to be met by future borrowing; any excess will have to be invested (unless existing borrowing is prematurely repaid). Refinancing risk, interest rate risk and credit risk can be minimized or reduced by ensuring that the existing loans portfolio shows a profile close to the liability benchmark.

For Telford & Wrekin Council, the benchmark shows that our current level of external borrowing is below the amount needed to fund commitments and therefore future borrowing will be required.

In particular, the liability benchmark identifies the maturities needed for new borrowing, in order to match future liabilities. It therefore avoids borrowing for too long or too short. Local authorities have sometimes used the CFR as their benchmark of borrowing needs, but this is likely to result in substantial over-borrowing because authorities generally have systemic in-hand cash flows and balances which keep actual debt (net of treasury investments) well below the CFR. Borrowing needs are based on cash flows, not the CFR – accepting the need for a reasonable but not excessive holding of short term investments for liquidity management.

The liability benchmark makes no assumption about the level of future prudential borrowing in as yet unknown capital budgets. This avoids making large assumptions which may pro to be spectacularly wrong; but the main reason is that it enables the benchmark to be compared like-for-life with the existing loans portfolio to identify the future borrowing and investment needs arising from the authority's existing plans. It shows us what the current debt maturity profile should be to match the authority's current borrowing commitments less MRP and other forecast cash flows. Matching the portfolio to the need minimises treasury risks.

6.0 Security:

The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

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

Credit Risk Indicator	Target
Portfolio average credit score	6 or lower, (which is equivalent to a credit rating of 'A' or higher)

7.0 Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. For loans with Lender Options / Borrower Options (LOBOs) this is assumed as the final maturity date.

Maturity structure of fixed rate borrowing	Existing level 31.12.22 %	Lower Limit for 2023/24 %	Upper Limit for 2023/24 %
under 12 months	7	0	70
12 months and within 24 months	4	0	30
24 months and within 5 years	22	0	50
5 years and within 10 years	16	0	75
10 years and within 20 years	11	0	75
20 years and within 30 years	2	0	75
30 years and within 40 years	8	0	100
40 years and within 50 years	21	0	100
50 years and above	9	0	100

8.0 Principal sums invested for periods longer than a year:

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

Limit on principal sums invested for periods longer than a year	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
Limit on total investments	95	95	95

Recommended Sovereign and Counterparty List (Section 8)

- ***Group Limits*** *- For institutions within a banking group, the authority executes a limit at the highest of any of the single banks within that group.*
- ***Sovereign Limit*** *– The Council will only invest a maximum of £15m of the portfolio with non UK sovereigns***.**

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Council Holding at 31.12.22 £m
Term Deposits / CDs / Call Accounts	UK	Santander UK Plc (Banco Santander Group)	15	15	0
Term Deposits / CDs / Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	15	15	0
Term Deposits / CDs / Call Accounts	UK	Lloyds (Lloyds Banking Group)	15	15	7.8
Term Deposits / CDs / Call Accounts	UK	Barclays Bank Plc	15	15	0
Term Deposits / CDs / Call Accounts	UK	HSBC Bank Plc	15	15	0
Term Deposits / CDs / Call Accounts	UK	Nationwide Building Society	15	15	0
Term Deposits / CDs / Call Accounts	UK	NatWest (RBS Group)	15	15	0
Term Deposits / CDs / Call Accounts	UK	Royal Bank of Scotland (RBS Group)	15	15	0
Term Deposits / CDs / Call Accounts	UK	Standard Chartered Bank	15	15	0
Term Deposits / CDs / Call Accounts	UK	Close Brothers Limited	15	15	0
Term Deposits / CDs / Call Accounts	UK	Goldman Sachs International Bank	15	15	0
Term Deposits / CDs / Call Accounts	UK	Leeds Building Society	15	15	0
Term Deposits / CDs / Call Accounts	Australia	Australia and NZ Banking Group	15	15	0

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Council Holding at 31.12.22 £m
Term Deposits / CDs / Call Accounts	Australia	Commonwealth Bank of Australia	15	15	0
Term Deposits / CDs / Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)	15	15	0
Term Deposits / CDs / Call Accounts	Australia	Westpac Banking Corp	15	15	0
Term Deposits / CDs / Call Accounts	Canada	Bank of Montreal	15	15	0
Term Deposits / CDs / Call Accounts	Canada	Bank of Nova Scotia	15	15	0
Term Deposits / CDs / Call Accounts	Canada	Canadian Imperial Bank of Commerce	15	15	0
Term Deposits / CDs / Call Accounts	Canada	Royal Bank of Canada	15	15	0
Term Deposits / CDs / Call Accounts	Canada	Toronto-Dominion Bank	15	15	0
Term Deposits / CDs / Call Accounts	Finland	Nordea Bank Finland	15	15	0
Term Deposits / CDs / Call Accounts	Finland	Pohjola Bank	15	15	0
Term Deposits / CDs / Call Accounts	Germany	Deutche Bank AG	15	15	0
Term Deposits / CDs / Call Accounts	Germany	Landesbank Hessen – Thuringen (Helaba)	15	15	0
Term Deposits / CDs / Call Accounts	Netherlands	ING Bank NV	15	15	0
Term Deposits / CDs / Call Accounts	Netherlands	Rabobank	15	15	0

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Group Limit (if applicable) £m	Council Holding at 31.12.22 £m
Term Deposits / CDs / Call Accounts	Netherlands	Bank Nederlandse Gemeenten	15	15	0
Term Deposits / CDs / Call Accounts	Singapore	DBS Bank Ltd	15	15	0
Term Deposits / CDs / Call Accounts	Singapore	Oversea-Chinese Banking Corporation (OCBC)	15	15	0
Term Deposits / CDs / Call Accounts	Singapore	United Overseas bank (UOB)	15	15	0
Term Deposits / CDs / Call Accounts	Sweden	Svenska Handelsbanken	15	15	0
Term Deposits / CDs / Call Accounts	Switzerland	Credit Suisse	15	15	0
Term Deposits / CDs / Call Accounts	US	JP Morgan Chase Bank	15	15	0

Treasury Management Scheme of Delegation

(i) Full Council

- approval of annual strategy and mid year update and annual report, and
- approval of/amendments to the organisations adopted clauses, treasury management policy, treasury management practices, treasury management indicators and prudential indicators

(ii) Full Council / Cabinet

- budget consideration and approval, and
- receiving and reviewing regular monitoring reports and acting on recommendations,

(iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body, Full Council.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

The Council's S151/Chief Financial Officer has delegated authority for all Treasury Management activities and decisions, including borrowing and investments, as long as they are within the overall approved Treasury Management Strategy.

- Recommending the Treasury Management Strategy, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Ethical Investment Framework – Telford and Wrekin Council

At the current time the Council's treasury activity consists principally of making short-dated loans to the UK Government (through the Debt Management Agency Deposit Facility) and to banks and building societies which adheres to the S-L-Y principles of (Security, Liquidity and Yield, in that order).

The preservation of capital is the Council's principal and overriding priority. The banks and building societies on the Council's lending list are selected only if the institutions and the sovereign meet a minimum credit criteria. In accordance with its social and corporate governance responsibilities, the Council seeks to support institutions which additionally have an ethical and responsible approach to environmental and social issues including employment and global trade. These "ethical" criteria and their basis are described below.

1. Environmental and Social Standards

Equator Principles

The Equator Principles (EPs) are a voluntary set of guidelines based on the environmental and social standards practiced by the International Finance Committee when evaluating financing projects. Financial institutions that adopt the Principles agree to use a screening process aiming to ensure that environmental and social assessments help inform decisions to finance development projects. This allows signatories to engage proactively with their stakeholders on environmental and social policy issues.

The EPs are a screening framework for determining, assessing and managing environmental and social risk in project finance transactions for major infrastructure and industrial projects. The EPs are adopted voluntarily by financial institutions and are applied where total project capital costs exceed US$10 million. The EPs are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. They are based on the International Finance Corporation's performance standards on social and environmental sustainability and on the World Bank Group Environmental Health and Safety Guidelines.

Financial institutions which are signatories to the EPs commit to not providing loans to projects where the borrower will not or is unable to comply with their respective social and environmental policies and procedures that implement the EPs.

The following banks relating to institutions on the Council's lending list have adopted the Equator Principles:

- Lloyds Banking Group (parent of Bank of Scotland plc and Lloyds Bank plc)
- Banco Santander (parent of Santander UK plc)
- Svenska Handelsbanken AB (parent of Handelsbanken UK)
- Barclays plc (parent of Barclays Bank)
- HSBC Holding plc (parent of HSBC plc)
- Nat West Group plc
- Royal Bank of Scotland
- Standard Chartered plc
- Australia and New Zealand Banking Group
- Commonwealth Bank Australia
- Westpac Banking Corp.

- Bank of Montreal
- Bank of Nova Scotia
- Canadian Imperial Bank of Commerce
- Royal Bank of Canada
- Nordea Bank Finland
- Deutche Bank AG
- ING Bank NV
- Credit Suisse
- JP Morgan Chase Bank

http://www.equator-principles.com/index.php/members-reporting

2. Human Rights, Labour and Environment

The **UN Global Compact** is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Corporations which sign up to the UN Global Compact are encouraged to themselves embrace and in turn, support and enact, within their sphere of influence, a set of core values which are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The following banks relating to institutions on the Council's lending list are participants/stakeholders of the UN Global Compact:

- Lloyds Banking Group
- Svenska Handelsbanken AB
- Gruppo Santander (ultimate parent of Santander UK plc)
- HSBC
- Royal Bank of Scotland
- Standard Chartered
- Nationwide Building Society
- NatWest Group plc
- The Royal Bank of Scotland Group
- Australia and New Zealand Banking Group
- Commenwealth Bank of Australia
- National Australia Bank
- Westpac Banking Corp.
- Nordea Bank AB
- ING Bank NV
- Rabobank Group
- DBS Bank Ltd
- Credit Suisse

http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html

Limitations to ethical policies:

It should be noted here that the individual institutions which have signed up to the Equator Principles and to the Global Compact screen borrowers before lending for infrastructure and industrial projects.

However, financial institutions also engage daily in money market and interbank lending transactions; the criteria for such lending is based primarily on credit risk assessment (i.e. the assessment of their lending being repaid in full and on time when it is due). Being a signatory to the EPs will not necessarily be a critical feature of such credit assessment and the Council is not in a position to monitor interbank lending. The same applies to an individual financial signing up to the UN Global Compact.

It should also be noted that becoming a signatory of voluntary guidelines (Equator Principle or Global Compact) does not guarantee that that institution's policies and practices are of a better standard than those institutions which are not signatories to the voluntary guidelines.

Activist investment: The Council does not invest directly in shares traded on the markets or in corporate bonds. Not only are such investments inherently higher risk investments, and requires a distinct and separate set of fund management expertise. Under current legislation (SI 2003 No 3146) the purchase of share capital or loan capital of a body corporate is a capital expenditure investment which, on sale or maturity, becomes a capital receipt and is unsuitable for the Council's treasury investments which are primarily the cash management of its operating surpluses and reserves. Corporate bond and equity investments would however be made by the Council's pension fund (run by Shropshire Council.

Other than through its pension fund (which is measured by Shropshire Council), the Council cannot seek to influence decision making at a company by voicing concerns, engaging in a dialogue with management, or lobbying other shareholders for support. Activist investors attempt to purchase sufficient shares or obtain seats on the board with the goal of effecting major change in the company to make the company more valuable financially or socially (for example to change management policies and adopt better governance; optimise shareholder value through acquisitions/divestitures, be more socially responsible etc).

Credit Ratings – A Guide.

Long-term credit ratings and Sovereign Ratings

Fitch Rating' long-term credit ratings are set up along a scale from 'AAA' to 'D', first introduced in 1924 and later adopted and licensed by Standard & Poors (S&P). Moody's also uses a similar scale, but names the categories differently. Like S&P, Fitch also uses intermediate modifiers for each category between AA and CCC (i.e., AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB- etc.).

Investment grade

- **AAA** : the best quality, reliable and stable
- **AA** : good quality, a bit higher risk than AAA
- **A** : economic situation can affect finance
- **BBB** : medium class counterparties, which are satisfactory at the moment

Non-investment grade

- **BB** : more prone to changes in the economy
- **B** : financial situation varies noticeably
- **CCC** : currently vulnerable and dependent on favourable economic conditions to meet its commitments
- **CC** : highly vulnerable, very speculative bonds
- **C** : highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations
- **D** : has defaulted on obligations and Fitch believes that it will generally default on most or all obligations
- **NR** : not publicly rated

Short-term credit ratings

Fitch's short-term ratings indicate the potential level of default within a 12-month period.

- **F1+** : best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
- **F1** : best quality grade, indicating strong capacity of obligor to meet its financial commitment
- **F2** : good quality grade with satisfactory capacity of obligor to meet its financial commitment
- **F3** : fair quality grade with adequate capacity of obligor to meet its financial commitment but near term adverse conditions could impact the obligor's commitments
- **B** : of speculative nature and obligor has minimal capacity to meet its commitment and vulnerability to short term adverse changes in financial and economic conditions
- **C** : possibility of default is high and the financial commitment of the obligor are dependent upon sustained, favourable business and economic conditions
- **D** : the obligor is in default as it has failed on its financial commitments.

Support Ratings (1 – 5)

The Purpose and Function of Support Ratings

Support Ratings are Fitch Ratings' assessment of a potential supporter's propensity to support a bank and of its ability to support it. Its propensity to support is a judgment made by Fitch Ratings. Its ability to support is set by the potential supporter's own Issuer Default

Ratings, both in foreign currency and, where appropriate, in local currency. Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

Timeliness and Effectiveness Requirements
Fitch Ratings' Support Rating definitions are predicated on the assumption that any necessary "support" is provided on a timely basis. The definitions are also predicated on the assumption that any necessary support will be sufficiently sustained so that the bank being supported is able to continue meeting its financial commitments until the crisis is over.

Obligations and Financial Instruments Covered
In terms of these definitions, unless otherwise specified, "support" is deemed to be in terms of foreign currency. It is assumed that typically the following obligations will be supported: senior debt (secured and unsecured), including insured and uninsured deposits (retail, wholesale and interbank); obligations arising from derivatives transactions and from legally enforceable guarantees and indemnities, letters of credit, and acceptances; trade receivables and obligations arising from court judgments.

Likewise, the agency does not assume that the following capital instruments will be supported when sovereign support is involved: preference/preferred shares or stock; hybrid capital (tier 1 and upper tier 2), including reserve capital instruments (RCIs) and variations upon RCIs; and common/ordinary equity capital. It is also assumed that there will be no support for any moral obligation on securitizations. The sovereign support status of subordinated debt is difficult to categorize in advance; it is assessed on a case by case basis, distinguishing among different jurisdictions.

Definitions:

1: A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2: A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.

3: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.

4: A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.

5: A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

GLOSSARY

Term	Meaning
Annuity	A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion in interest reduces and the proportion of principal repayment increases over time.
Authorised Borrowing Limit	The maximum amount the authority can borrow at any point of time in the year. This limit should never be exceeded. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Bail-in	A method of rescuing a failing financial institution by cancelling some of its deposits and bonds. Investors may suffer a haircut but may be given shares in the bank as part compensation. See also bail-out
Bail-out	A method of rescuing a failing financial institution by the injection of public money. This protects investors at the expense of the taxpayer.
Call account	A deposit account that can be called back, normally on instant access.
Capital Financing Requirement CFR)	This represents the underlying need for the authority to borrow and represents the assets of the authority less the long term capital liabilities.
Credit Default Swaps (CDS)	CDS are bought by investors to insure against defaults (i.e. the counterparty not being able to repay). The higher the cost/premium then the higher the risk – CDS therefore given a market view of the credit worthiness of an organisation.
Credit Ratings	Rating on the ability of an organisation to meet its obligations; ratings are assigned by independent, specialist companies, such as Fitch and Moody's using market intelligence they gather.
Credit Risk	The risk that the debtor will default on their obligations
Counterparty	The organisation that you are conducting your business with.
Debt Management Account Deposit Facility	Provided by the Debt Management Office, users can place cash in secure fixed-term deposits. Deposits are guaranteed by the government and therefore have the equivalent of a sovereign triple-A credit rating.
Derivative Instruments	A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage. For example, a stock option is a derivative because it derives its value from the value of a stock. An interest rate swap is a derivative because it derives its value from one or more interest rate indices.
Discounts	These relate to Public Works Loans Board loans. If rates have increased since the borrowing was undertaken then part of the benefit that PWLB will achieve from being able to

Term	Meaning
	loan out at that higher rate are passed back to an authority if they repay the loan early.
Fund Managers	Independent investment managers who work to a specific mandate and if appointed invest funds on behalf of the Council
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Inflation	The rise in prices of goods and services over a period of time.
Interest Rate Risk	The risk that the value of an investment will change due to changes to the interest rate.
Internal Borrowing	This is where the amount of an authority's borrowing is less than its CFR or underlying need to borrow and represents the use of internal balances rather than borrowing from the market.
Liquidity Risk	The risk of not being able to trade an investment quickly to release cash.
LOBO	Lender's Option Borrower's Option – a long term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower's interest rate risk and the loan should therefore attract a lower rate of interest initially.
Minimum Revenue Provision (MRP)	This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Money Market Fund (MMF)	Mutual funds that invest in short term debt instruments. They offer a higher level of security than banks and interest rates are generally higher.
Obligor	An individual or company that owes debt to another individual or company (the creditor), as a result of borrowing or issuing bonds.
Operational Borrowing Limit	The amount the authority would normally borrow at any point of time in the year. This boundary might be exceeded temporarily but only in exceptional circumstances. The limit is set by Full Council at the beginning of March and is a prudential indicator.
Premia	This is the penalty applied to the early redemption of PWLB loans where rates have fallen since the loan was undertaken.
Prudential Code	A professional code of practice which provides regulatory framework to local authorities on capital expenditure, investments and borrowing activities.
Prudential Indicators	A set of indicators developed within the Prudential Code which define thresholds for investment and borrowing within a local authority.
PWLB	Public Works Loans Board – a Government agency providing long and short term loans to local authorities. Interest rates are generally lower than the private sector and slightly higher than the rates at which the Government themselves may borrow.

Term	Meaning
Quantitative Easing	This is where the government buy back their own gilt issuance to effectively pump money into the financial markets of the economy.
Re-scheduling	This relates to repaying existing borrowing early and replacing it with borrowing for a different period usually, but not necessarily, at lower rates
Return	The gain from holding an investment over a given period
Security	An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government or other organisation which offers evidence of debt or equity.
SONIA	Sterling Overnight Interbank Average – a key Bank of England interest rate benchmark; it is a measurement of the cost of borrowing and reflects the average of interest that banks pay to borrow sterling overnight from other financial institutions.
Sovereign Exposure	Risk of exposure to one particular country.
Supranational Bonds	These are bonds (similar to gilts) issued by multi government development organisations and are supported by all of the governments who form part of the organisation. E.g. European Investment Bank and are usually very secure.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.

Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

24 January 2023

2021/22 Statement of Accounts

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services
Lead Director:	Ken Clarke - Director: Finance & Human Resources
Service Area:	Finance & Human Resources
Report Author:	Pauline Harris - Finance Manager: Corporate Finance
Officer Contact Details:	**Tel:** 01952 383701 **Email:** pauline.harris@telford.gov.uk
Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	Audit Committee – 24 January 2023

1.0 Recommendations for Decision/Noting

It is recommended that Audit Committee

1.1 Approve the 2021/22 Statement of Accounts attached Appendix A

1.2 Grant delegated authority to the Director: Finance & Human Resources, following consultation with the Chair, to make any final changes required to the Statement of Accounts prior to publication

2.0 Purpose of Report

2.1 To provide Members with an update on the audit of the Council's accounts for 2021/22 and present the Statement of Accounts for approval. It should be noted that at the time of writing this report Grant Thornton are still finalising their audit work and delegated authority is therefore sought to make any final changes required prior to publication.

3.0 Background

3.1 The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice which continues to add a level of complexity.

3.2 In accordance with the Accounts and Audit (England) Regulations 2015 and associated Amendment regulations, the Chief Financial Officer certified the draft statement of accounts in May. These were presented to Audit Committee on the 26 May 2022, made available for public inspection and provided to the external auditors to undertake the audit of accounts. As required by regulation, the updated statement of accounts is now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's audited Statement of Accounts.

3.3 It is anticipated that Grant Thornton, the Council's external auditors will give the accounts an unqualified audit opinion and they will provide an update on their audit work to Members at this meeting of the Committee.

3.4 A number of changes to the accounts have been identified, which have been agreed and included in the updated Statement of Accounts appended to this report. Further details of these can be found in section 4 below. The changes do not affect the outturn position or General Fund Balance which remain as reported to Cabinet on 23 June 2022 (an underspend against budget of £0.048m, equivalent to -0.04% of the net budget).

3.5 Following approval, and any final changes required, the Statement of Accounts will be published on the Council's web site and a copy will be circulated to Audit Committee Members.

4.0 Summary of main proposals

4.1 A number of changes have been made to the accounts during the course of the audit, after discussion with Grant Thornton. None of these has impacted on the General Fund Balance position previously reported and noted above. In summary, the changes include:

- **Infrastructure Assets** – a specific, technical and sector-wide matter relating to the reporting of infrastructure assets (such as highways, footpaths and bridges) arose during the audit relating to the value of the assets shown in local authority accounts. The Department of Levelling Up, Housing and Communities (DLUHC) issued a Statutory Instrument, which came into force on 25 December 2022, which together with changes to the CIPFA Accounting Code have been put in place to address the issue. The Statutory Instrument is a temporary statutory over-ride which allows local authorities to treat the value of any replaced component of infrastructure assets as nil; and removes the requirement to make prior period adjustments. The Council will therefore adopt this approach and the disclosures in the Statement of Accounts have been updated as required. At the time of writing this report Grant Thornton had not completed the audit work required following this unavoidable late amendment.

- **Accounting Treatment of Investment Property Revaluations [£2.002m]** – revaluations relating to two properties had been incorrectly processed through the revaluation reserve i.e. treated as Property, Plant and Equipment revaluations, rather than Investment Property Revaluations. The accounting treatment has been corrected so that the revaluations are correctly processed, ultimately flowing through the Capital Adjustment Account.
- **Pension Liability [£5.572m]** – as part of the Shropshire Pension Fund audit an understatement in the Fund's Net Assets c. £19m was identified, relating to the timing of valuations included in the Pension Fund draft accounts. Due to the amount involved, the Council requested updated Pensions Accounting (IAS 19) figures which have been included in the final Statement of Accounts. This has reduced the Net Pension Liability on the Balance Sheet and impacted on other associated Pensions entries.
- **Group Accounts Revaluations** – previously Nuplace valuation changes were incorporated into the Group Accounts as Property, Plant & Equipment (PPE). Following discussion with Grant Thornton it was agreed that this should be consolidated as Investment Property. However, in error, revaluations were consolidated as PPE, which has now been corrected for 2020/21 and 2021/22.
- Various wording/presentational changes
- The Narrative Statement, Core Financial Statements and Group Accounts have been updated to reflect all changes as appropriate.

4.2 The updated Statement of Accounts are included in Appendix A.

4.3 An unqualified audit report is anticipated.

4.4 To comply with International Auditing Standards, the external auditor will also present a separate report to those charged with governance, including recommendations, to the Audit Committee which comments on the final accounts audit.

6.0 Alternative Options

6.1 Production and publication of the statement of accounts is a statutory requirement. Changes to the Statement of Accounts have been discussed and agreed with the Council's external auditors, Grant Thornton.

7.0 Key Risks

7.1 The audited statement of accounts together with an unqualified audit opinion provide assurance to local taxpayers, Councillors and other stakeholders about the Council's financial position and governance arrangements which is important for transparency, accountability and decision making. Without these there could be reputational, legal and financial risk.

8.0 Council Priorities

8.1 The statement of accounts summarises the cost of services provided by the Council during the year which relates to the delivery of all Council priorities.

9.0 Financial Implications

9.1 The financial impacts are detailed throughout the report.

10.0 Legal and HR Implications

10.1 The Statement of Accounts has been prepared in accordance with the 2021/22 Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations (and subsequent amendments).

11.0 Ward Implications

11.1 There are no impacts on specific wards

12.0 Health, Social and Economic Implications

12.1 There are no Health, Social and Economic Implications directly arising from this report.

13.0 Equality and Diversity Implications

13.1 There are no Equality & Diversity implications directly arising from this report.

14.0 Climate Change and Environmental Implications

14.1 There are no Climate Change and Environmental Implications directly arising from this report.

15.0 Background Papers

1. 2021/22 Draft Statement of Accounts
2. 2021/22 Financial Outturn Report
3. General Ledger Reports
4. 2021/22 Code of Practice on Local Authority Accounting
5. Update to the Code and specifications for future Codes for Infrastructure Assets (November 2022)

6 Accounts and Audit (England) Regulations 2015 and associated Amendments

16.0 Appendices

Appendix A Audited 2021/22 Statement of Accounts

17.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Director	06/01/2023	07/01/2023	KC
Finance	06/01/2023	12/01/2023	PH
Legal	12/01/2023	12/01/2023	RP

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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 24 January 2023

Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free Update

Cabinet Member:	Cllr Carolyn Healy - Cabinet Member: Climate Change, Green Spaces, Natural and Historic Environment and Cultural Services
Lead Director:	Felicity Mercer - Director: Communities, Customer & Commercial Services
Service Area:	Communities, Customer & Commercial Services
Report Author:	Ian Wykes - Team Leader: Climate Change & Sustainability
Officer Contact Details:	**Tel:** 01962 384960 **Email:** Ian.Wykes@telford.gov.uk
Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not Applicable
Report considered by:	Cabinet - 22 September 2022 Environment Scrutiny - 22 November 2022

1.0 Recommendations for decision/noting:

That the Audit Committee

1.1 Note and review the update on Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free

2.0 Purpose of Report

To allow Audit Committee the opportunity to

2.1 Note and review the Council's progress on becoming Carbon Neutral and Plastic free as set out in the report to Cabinet on 22nd September 2022 (See Appendix A)

3.0 Background

3.1 Tackling climate change is one of five priorities set out in the current Council Plan. In July 2019 the council declared a climate change emergency and made a commitment to reduce its carbon emissions to net zero by 2030. Through its support of a borough partnership the council is also playing a full part in helping the wider borough achieve the same target.

3.2 The Council has also made a commitment to remove single-use plastics from the Council's operations and activities, replacing them with sustainable alternatives, by the end of 2023.

3.3 Previously reporting on these two areas had been undertaken separately. However, the report to Cabinet in September 2022 (Appendix A) provided an update on the progress being made to meet both targets and we will continue to report on both as one delivery plan moving forward.

4.0 Summary of main proposals

In summary the Cabinet report

4.1 Set out that from a baseline of 2018/19 the council achieved a reduction of 57% overall in CO2e emissions.

4.2 Highlighted a range of activities undertaken in 2021/22 to help achieve this. This included various initiatives such as the opening of Wellington Bus station the first off grid bust station nationally and Newport swimming pool now being heated by an air source heat pump. As well as well as practical delivery projects awareness raising has also been an important element of our work. For example, we held the first Climate Change Youth Summit with over a hundred year 9, 10 and 12 pupils form across our secondary schools helping to shape our climate change work going forward. We held plastic free July to raise awareness of how residents and staff could eliminate their use of single use plastic.

4.3 Included the following recommendations

To build on the progress made to date and to ensure that the Council's carbon mitigation work fully contributes to wider issues of extreme weather and fuel poverty the following areas of work are seen as a priority:

- **To keep the Corporate Climate Change Action Plan and Plastic Free Action Plan under constant review** and to work across the authority to identify new initiatives.
- **To continue to monitor progress on a quarterly basis** to ensure progress is being made and to identify challenges more quickly to ensure the successful delivery of projects

- **To work with service areas to develop adaptation plans** or to ensure that the impacts of climate change are fully reflected in business continuity plans
- To ensure that any actions to address climate change also continue to play a full part in helping Telford's residents, community groups and businesses **address the impact of unprecedented recent increase fuel prices and fuel poverty.**
- **Developing a Supplementary Planning Document (SPD)** on climate change in support of the revised Local Plan.
- **Extend our range of advice and support to staff –** including a new Climate Change training module on Ollie and carbon literacy training to support service provision and operations.
- **Lobbying.** We cannot succeed alone and require more legislation and greater funding support from Government in order to push forward with this agenda in the way that is needed. Working together with other members of UK 100 will help us do this.

5.0 Alternative Options

5.1 The alternative option would be to do nothing and not deliver on the council's climate change commitments. However, this could lead to serious reputational risks for the council as a community leader.

Not addressing issues such as energy efficiency of buildings or development of renewable energy generation opportunities would also lead to significant cost implications through increase in fuel bills and loss of income. Doing nothing would also lead to a negative impact on the health and social / economic wellbeing of Telford and Wrekin businesses, communities, and residents.

6.0 Key Risks

6.1 Committee Independent Assessment of UK Climate Risk for the UK's third Climate Change Risk Assessment (CCRA3), published in June 2021[1] sets out the priority climate change risks for the UK. In summary, risks in the report include:

- The impacts of climate change on the natural environment.
- An increase in the range, quantities and consequences of pests, pathogens and invasive species.
- The risk of climate change impacts, especially more frequent flooding and coastal erosion, causing damage to infrastructure services.
- A reduction in public water supplies due to increasing periods of water scarcity.
- The impact of extreme temperatures, high winds and lightning on the transport network.
- The impact of increasing high temperatures on people's health and wellbeing.
- Increased severity and frequency of flooding.

[1] https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-England-Summary-Final.pdf

- Disruption to the delivery of health and social care services due to a greater frequency of extreme weather.
- Damage to cultural heritage assets as a result of temperature, precipitation, groundwater and landscape changes.
- Impacts internationally that may affect the UK, such as risks to food availability, safety and security, risks to international law and governance from climate change that will affect the UK, international trade routes, public health.

Therefore, there are significant risks as outlined should the Council fail to mitigate climate change and ensure that residents, businesses and the natural environment are able to adapt to the future climate.

7.0 Council Priorities

7.1 The councils' work on climate change and sustainability is a direct response to the council's priority "Our natural environment is protected, and the Council has a leading role in addressing the climate emergency". However, as a cross cutting agenda it also has a significant contribution towards all other council priorities including:

– Every child, young person and adult lives well in their community.
– Everyone benefits from a thriving economy.
– All neighbourhoods are a great place to live
– A community-focussed, innovative council providing efficient, effective and quality services.

8.0 Financial Implications

8.1 An approved allocation of £4m was included in the capital programme to support Climate Change initiatives; spend in previous years totalled £0.2m which leaves £3.8m available in 2022/23 and future years. This is being allocated to schemes in the Action Plan and appropriate finance support is being provided. Finance will also provide support in relation to any bids for external funding as required.

The Community Municipal Investment was launched in May 2022 and provides an opportunity for individuals to lend money to the Council which will be used to fund projects across Telford & Wrekin to help tackle the climate emergency. This is a new borrowing source for the Council (permitted in the approved Treasury Strategy), which is an alternative to loans from the Public Works Loans Board (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.

9.0 Legal and HR Implications

9.1 Legal

The Climate Change Act 2008 (as amended) establishes a legally binding target to reduce the UK's greenhouse gas emissions by 100% by 2050 when compared with the 1990 baseline. At a local level, Section 19(1A) of the Planning and Compulsory Purchase Act 2004 requires local planning authorities to include in their local plans, policies designed to secure that the development and use of land in the local planning authority's area contribute to the mitigation of, and adaptation to, climate change. In the management of its activities, provision of its services and performance of its functions, local councils are in a position to play a vital role in meeting the challenges posed by climate change. The Council has wide scope to decide how best to address these challenges.

Full legal support was provided for the implementation and launch of the Community Municipal Bonds scheme.

Implementation of the proposals in this report may give rise to specific legal issues upon which specific legal advice will be provided as necessary

9.2 HR

This report does not raise any specific implications for HR.

10.0 Ward Implications

10.1 This report has a borough wide impact

11.0 Health, Social and Economic Implications

11.1 Climate change will continue to have a significant impact on the health of Telford and Wrekin's residents as well as on their social and economic wellbeing. For example, July 2022 saw the highest temperatures on record. Heatwaves can lead to very serious health implications particularly for the most vulnerable[2] Many of the actions set out in the climate change plan have considerable co-benefits. The Climate Change Fund supports businesses and community groups with energy efficiency measures which should help address recent rises in fuel prices.

12.0 Equality and Diversity Implications

12.1 The Council's Climate Change Action Plan takes account of the legal requirement to pay due regard to the aims of the Public Sector Equality Duty. Key to this is consideration of people's specific needs based on their protected characteristics.

People who share protected characteristics of age, race, ethnicity and disability are often disproportionately affected by climate change and its consequences.

[2] https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30434-3/fulltext

This is true locally and internationally. Extreme weather events, for example heat waves most detrimentally affect older residents and those with pre-existing respiratory and cardiovascular conditions.

The success of our climate change activity relies on active participation by the whole community. Steps are taken to make sure that events are inclusive and the differing needs of individuals are considered so that they can access activities and contribute effectively.

13.0 Climate Change and Environmental Implications

13.1 This report sets out the key areas as to how Telford and Wrekin Council is helping address climate change and environmental implications.

14.0 Background Papers

1 UK Climate Risk – Evidence for the third UK Climate Change Risk Assessment – Summary for England: https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-England-Summary-Final.pdf

15.0 Appendices

1 Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free Update – Cabinet Report 22 September 2022

16.0 Report Sign Off

Signed off by	**Date sent**	**Date signed off**	**Initials**
Finance	04/01/23	05/01/23	DR/ PH
Legal	04/01/23	05/01/23	RP

Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Cabinet

22 September 2022

Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free Update

Cabinet Member:	Cllr Carolyn Healy - Cabinet Member: Climate Change**,** Green Spaces, Natural and Historic Environment and Cultural Services
Lead Director:	Felicity Mercer - Director: Communities, Customer and Commercial Services
Service Area:	Community Services
Report Author:	Ian Wykes - Team Leader: Climate Change and Sustainability
Officer Contact Details:	**Tel:** 01962 384960 **Email:** ian.wykes@telford.gov.uk
Wards Affected:	All
Key Decision:	No
Forward Plan:	Not applicable
Report considered by:	SMT – 22 August 2022 Business Briefing – 08 September 2022

1.0 **Recommendations for decision/noting:**

1.1 That Cabinet notes the progress the Council has made over the last 12 months in its journey to become carbon neutral by 2030 and how the Council will continue to work to reduce carbon emissions from the Council's operations and activities and influence carbon reduction Borough-wide.

1.2 That Cabinet notes the progress the Council is making to become plastic free by 2023 and as part of the borough wide Telford and Wrekin Plastic Free Task Force.

1.3 That Cabinet Notes that this report is in relation to the Council's response to the Climate Emergency Declaration and will be referred to Full Council for information as part of the 'Matters Determined by the Cabinet' report.

2.0 **Purpose of Report**

2.1 To update Cabinet on progress being made to meet the Council's target of becoming Carbon Zero by 2030 (a 57% reduction in emissions to date) and Plastic Free by 2023.

3.0 Background

3.1 In 2019 Telford and Wrekin Council declared a Climate Change Emergency and set out an ambitious target to ensure its activities and operations are carbon neutral by 2030. The Council also made a commitment to remove single-use plastics from the Council's operations and activities, replacing them with sustainable alternatives, by the end of 2023.

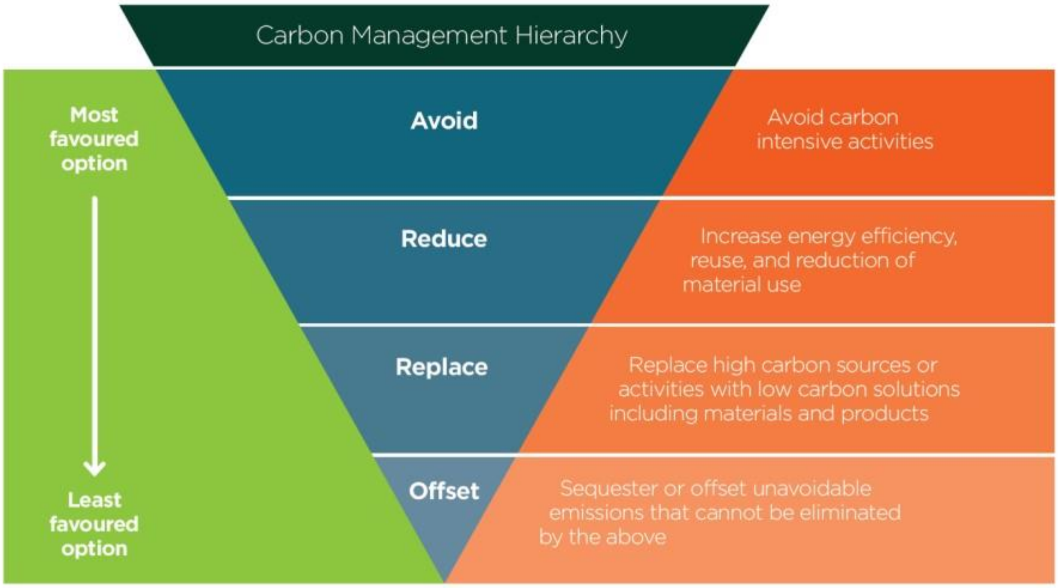
3.2 Previously reporting on these two areas has been undertaken separately. However, we will be reporting on both as one delivery plan for the purposes of monitoring and reporting moving forward.

3.3 At the time of the last Climate Change Report to Cabinet in November 2021 the UK was hosting the COP26 in Glasgow. The main achievement of COP was to reaffirm the commitment of keeping a global increase in temperature to 1.5^{o}C as previously agreed at The Paris Agreement in 2015. The UK Government's commitments are still those set out in the Climate Change Act 2008 (as amended) which established a legally binding target to reduce greenhouse gas emissions by 100% by 2050.

3.4 Although there have been no recent legislative changes, there are two ongoing influencing factors that have had, and will continue to have, a bearing on the focus of the Council's climate change work going forward.

- Firstly 2022 has seen a continued increase in fuel prices which have contributed to the current cost of living crisis. This is one of the biggest challenges Telford and its residents are currently facing. More households will be entering fuel poverty and we will also see a big impact on local community groups and businesses.
- Secondly the general trend of climatic extremes has continued into 2022 with July recording the highest ever temperatures in the UK.

3.5 The graphic below sets out the principles that the council seeks to adhere to meet its sustainability and climate change ambitions



3.6 To support a range of schemes to reduce the Council's carbon footprint the Council has allocated £4,000,000 of capital funding into this programme of work. To date approximately half the fund has been allocated and is being used across a range of projects to help support the delivery of the action plan. More information on this is set out in the main report.

4.0 Summary of main proposals

Carbon Emissions 2021/22

4.1 The Council has continued to monitor emissions from the following activities:

- Corporate estate
- Street lighting
- Transport and travel

4.2 Regarding transport and travel data, whilst there is accurate data available on business and fleet mileage, it has not been possible to precisely monitor emissions from commuting by employees. This is due to variable working patterns of employees during the Covid recovery period. We have therefore removed commuting from the data, pending carrying out an updated staff travel survey, linked to an accommodation review, which will provide an evidence base for future data.

4.3 With that in mind, and to ensure consistency, we have also removed commuting from all previous years data in order to track progress in 2021/22 against a comparable baseline figure for 2018/19. Using this methodology, emissions in 2021/22 total 2426 tonnes CO_2e. When comparing this to equivalent baseline data for 2018/19 (5686 tonnes CO_2e – with commuting removed), the overall figure is a reduction of 57% overall in emissions.

4.4 Using comparable data, the % reduction in 2020/21 from the baseline year was 61%. This small variation is to be expected as services were returning to normal operation during 2021/22 following the pandemic, however it is positive to note that we still managed to sustain a 44% decrease in emissions in business mileage in 2021/22 compared to pre-pandemic (2019/20) levels.

Progress against the action plan

4.5 The Council has received national recognition for its climate change work. A report by Climate Emergency UK and featured in the Guardian put Telford and Wrekin Council in the top 10 single tier authorities. [1] The Council has also been approved to become a member of UK100 a network of local authorities who have a clear and demonstrable commitment to tackle climate change. This will be formally signed by the Leader in the autumn.

4.6 Good progress is being made against the actions in the corporate Climate Change Action Plan with 22 of the 82 already having been completed and a number of longer-term actions are in progress as well. Some of those in progress have either been delayed by the continuation of Covid 19 or are awaiting other reviews to be completed such as the ongoing accommodation review.

4.7 For the corporate estate, a range of energy efficiency and renewable energy installations have been delivered. The council has targeted those buildings with the largest emissions already identified those buildings and measures have been completed in 8 of these. For the remainder measures are being identified which will form part of future funding bids. The council is currently looking to submit a bid to the Public Sector Decarbonisation Fund for retrofit and other improvements at Darby House and Granville House

4.8 At **Newport Leisure centre** £586,000 was secured from the Public Sector Decarbonisation Fund to install an air source heat pump and thermal insulation. The Council also reduced the depth of the pool to reduce water heating costs and installed new LED lighting. The outcome of this work means the site will save 566,863kWh a year (the same amount of energy typically used by 182 houses). The pool was re-opened to the public in July 2022.

[1] https://councilclimatescorecards.uk/

Air source heat pump and completed installation at Newport Leisure Centre

4.9 At **Oakengates Leisure Centre** photovoltaic panels have now been installed, funded through SEPUBU (Sustainable Energy in Public Buildings). SEPUBU funding has also been used to install Electric Vehicle charging points and LED lighting at **Horsehay Golf and Fitness Centre**. Additional funding has now been secured to install photovoltaic panels and battery storage.

4.10 **NuPlace** (owned by Telford and Wrekin Council) have developed 46 sustainable homes at Southwater Way, all with photovoltaic panels and electric vehicle charging points with the first tenant moving in April 2022

Sustainable housing at Southwater Way

4.11 In Donnington planning consent has been granted for a 329 unit development. All units will accommodate a range of carbon reduction technologies including fabric upgrades, water heat recovery, electric car charging points, solar panels etc. Eighteen NuPlace properties are to be built to the Future Homes standard and will be electrically heated powered by photo voltaic panels.

4.12 **NI. Park** is employment development land south of the A518 and west of the A41 in Newport. The first phase of TWC Investment Units was completed in October 2021 and is understood to be the first in the area to deliver both electric vehicle charging and photovoltaic panels to support smaller businesses, ahead of recent changes in the planning process. It also includes a wildlife pond:


4.13 Funding from the capital budget has been allocated for the installation of low energy LED lighting at **Granville House**, and for Photovoltaic panels at **Lakewood Court**. Funding has also been provided for an innovative Pavegen scheme at Southwater currently being installed. Pavegen is a technology where paving slabs can generate electricity from the motion of peoples' footsteps.

4.14 170k of capital funding, from the Municipal Investment (see case studies in section 4.19) will be utilised to fit energy efficiency measures to 12 units of the Council's temporary accommodation, showing an intent to lead by example in improving our own stock for vulnerable people. This is part of the Councils much wider work on Safer, Stronger Communities. £500,000 of the capital budget is being used to plug gaps in Government funding and help deliver energy efficiency measures and other support to targeted residents most at risk of fuel poverty. This is part of the council's wider affordable warmth work.

4.15 Our Affordable Warmth Strategy has set us clear targets to make homes with an energy performance rating of D and below within our borough more energy efficient, taking our most deprived households out of fuel poverty, while working towards our carbon net zero target. Homes currently account for around 20% of all emissions in the borough. To date we have brought in over £3m of capital funding through programmes such as the Green Homes Grant Local Authority Delivery scheme to provide energy efficiency measures to our most vulnerable citizens in fuel poverty resulting in a minimum of 900 measures being delivered in people's homes. Targeted work has also been undertaken in our Safer Stronger Community areas, for example 61 households alone have benefitted in Sutton Hill.

4.16 Looking at transport, a comparison of emissions from some areas with data prior to Covid may indicate a long-term trend in the reduction of carbon emissions. For example, grey fleet mileage (business mileage in private cars) just prior to the pandemic in 2019/20 stood at 1,672,429 miles but reduced significantly in 2020/21 to 671,626. This figure increased the following year as lockdown restrictions lifted again but it still shows a reduction of 59.8% compared to pre-pandemic mileage levels. This could suggest there has been a permanent shift away from face to face to more virtual meetings which will have a positive impact on our travel emissions moving forward.

4.17 Supporting this, the Council are continuing to invest in electric vehicles as part of its routine ongoing replacement of its fleet. The Public Protection team are already in receipt of four electric vans and Highways have also purchased two electric vans. An additional ten vehicles are ordered and awaiting delivery including two electric minibuses for Arthog that will be funded through the Municipal Investment. The Council is finalising a bid for funding to install up to **50 electric charging points in car parks across the borough** aimed at providing charging facilities for residents without off street parking. This builds of the 15 points the council has already installed for its own fleet

4.18 In July 2022 Cabinet approved the Electric Vehicle Strategy as well as the Local Cycling & Walking Infrastructure Plan both setting out the Council's aspirations towards sustainable transport. Both will play a significant role in helping the Council meet its own climate change commitments as well as the borough as a whole.

4.19 Focussing on biodiversity, the Council has a range of projects it is working on. It organised a No Mow May event and bug hunt in Hartshill Park earlier this year in conjunction with Oakengates Town Council. In June it worked with Bug Life and created an extensive project in Dawley Park to improve the bee line corridor and in July it built 2 bug hotels at Bowring Park along with the Friends of Group. The Council is due to build more bug hotels in Dale End Park in September and is working on developing a bee bank. A bat walk and survey is also planned, followed by bat box building in conjunction with local schools in the autumn.

4.20 Over and above the specific actions set out in the Climate Change Action Plan the Council is also engaged in a wide range of activities across land in its ownership to deliver appropriate habitat and site management, benefits to specific species and biodiversity enhancements through actions funded by Council budgets, external funding and developer contributions. These actions are targeted primarily at biodiversity gains, and halting biodiversity loss, but in many cases contribute significantly to the sequestration of carbon and therefore to the aims and objective of the Climate Change Action Plan. Examples of relevant actions are the restoration of pools and ponds, management of heathland and species rich grassland to maintain extent and enhance condition and the enhancement of grasslands for increased species diversity.

Case studies

4.21 The case studies below provide a snapshot of a range of activities completed (or currently being delivered) since the last report. These include actions in the action plan that contribute directly to the Council's own carbon footprint, the wider Borough's emissions or are helping raise awareness.

Climate Change Fund

The fund was launched in February 2021 with a £100k grant fund to support local groups and small businesses with projects to reduce their carbon footprint and help the Borough reach Net Carbon Zero by 2030. It was very well received, with the scheme being oversubscribed, receiving 69 applications with grant requests totalling over £250,000.

Admaston House Community Centre one of the recipients of the Climate Change Fund.

Successful applications included projects such as a community electric charging point in Sambrook, a secure bike storage facility at Burton Borough School and the installation of solar PV systems at several buildings across the borough. Owing to the success of the first round a second round of £200,000 was launched in June 2022. This is being secured through the Municipal Investment.

Municipal Investment

Telford & Wrekin Council launched the West Midlands' first Community Municipal Investment (CMI) with Abundance Investment in May 2022, meaning local people can now invest directly in a greener, more sustainable future for all. It has already raised over £250,000, (296 investors) allowing people to invest from as little as £5, earning 2.1% interest per year fixed, before tax, with interest and capital repayments every 6 months across the investment term. The CMI fund will be used to:

- Provide the finance for the second round of the Climate Change Fund (see above)
- Pay for energy efficiency improvements to the Council's temporary accommodation, meaning affordable warmth for some of the most vulnerable members of the community
- Buy two electric vehicles for the Council's Outdoor Education team, meaning school trips to everyone's favourite place - Arthog - become sustainable!

Youth Climate Summit

Directly as a result of the feedback from consultation on the Borough Climate Change Partnership's Plan, Telford and Wrekin Council held the first Youth Climate Change Summit at Enginuity which is part of the Ironbridge Gorge Museum. Over a hundred pupils from Year 9, 10 and 12 attended from 4 schools across the borough: Ercall Wood Academy, Charlton School, Newport Girls' High School and Hadley Learning Community. The event included talks on aspects of climate change from a range of experts as well as interactive workshops so that pupils could help shape the Council's work going forward.

Babi Banjoko, 14, a pupil at Ercall Wood Academy said: *"Our generation is going to be the one that has the most impact on what is going to happen to the Earth, so it is important we have the information in our heads to help us."* Geography teacher at Charlton School and head of year nine, John Taylor, said: *"It is a good realisation for them that it is not just about planting trees, but action is more important and the awareness of reducing their impact on the environment."*

Wellington Bus Station

Telford & Wrekin Council opened the UK's first bus station to generate its own electricity in June 2022. Working with suppliers Etesian Green and Journeo, an 'off-grid' station was created where power is generated by multi-directional wind turbines and solar panels producing renewable carbon free energy. The bus station will generate approximately 820 kilowatt-hours a year, enough electricity to supply a house for three months.

This energy will power the lighting, CCTV and live timetable information boards in the shelters. Over the lifespan of the bus station, carbon savings of 55 tonnes will be achieved. In addition, each bus shelter is made from 100% recycled plastic bottles. As well as energy saving measures, the station now has passenger information technology including improved accessibility and security features such as voice and push button announcements.

Opening of Wellington Bus Station

Eco grants

The Telford and Wrekin Growth Hub launched its Eco grant mid-January as part of the Councils' Pride in Our High Streets (PiOHS) programme. Christine's Florist in Oakengates was given an Eco grant to support the switch from cellophane wrapping to brown roll wrap – cellophane wrapping is a third cheaper than brown eco paper. With our funding help she was able to sign up to a 3 year delivery schedule of brown paper making the switch affordable and giving her time to build in small price increases to absorb costs over the next 3 years. Just William Cobblers in Newport have old fluorescent tubular lighting installed in their shop. The Council's eco-grant will support the business owner to switch over to eco LED lighting panels.

Cool Shropshire and Telford

Telford and Wrekin Council have been working with Shropshire Council and local company E4envrionment Ltd to provide a free resource to support micro businesses and other organisations providing an online resource to help businesses identify effective measures they can undertake to be more sustainable and save money through energy efficiency. So far over 30 businesses have registered and E4environment are following up with additional resources and support.

<u>Carbon Literacy Training</u>

4.22 To support the Council's journey with becoming carbon neutral, 3 members of the Climate Change & Sustainability Team have completed carbon literacy training, delivered by Save Our Shropshire.

4.23 Carbon Literacy covers the basic science of climate change and an understanding of the ways to reduce emissions in a variety of ways, on an individual, community and organisation basis. The intention now is to ‘train the trainer’ and share this knowledge across the rest of the organisation to inform and influence the Council’s future operations.

External funding

4.24 Moving forward it is important that the Council maximises the amount of external funding it can draw down through a variety of national and regional funding sources. A funding bid has been submitted to Phase 3 Public Sector Low Carbon Skills Fund (administered through Salix) for feasibility studies across eleven properties.

4.25 If successful, this will then form the basis of a larger bid for wide ranging retrofit works. The Council are also involved in two substantial bids to the Marches Energy Fund. One to provide an additional fund for businesses in the Marches LEP area and another working with AceOn to trial large scale battery storage at various sites across the LEP area. In both cases we have been successful in our expressions of interest and been invited to submit detailed bids.

Partnership working

4.26 Although the primary focus of this report relates to the Councils’ own activities, it should also be noted that since the last report to Cabinet in November 2021 there has been considerable progress working in wider partnerships. For example, the Council has supported the Telford and Wrekin Borough Climate Change Partnership to finalise and publish the Borough action plan as well as agree priorities for the first year of activities.

4.27 The Council has also been working closely as part of the Integrated Care System to develop an inter-agency strategy to tackle climate change and with the Town and Parish Councils Climate Change group, many of whom have now also declared their own climate emergencies.

Removing single use plastics

4.28 The Council has made a commitment to remove single-use plastics from the Council’s operations and activities, replacing them with sustainable alternatives by 2023. Single-use plastics can include any disposable plastic item which is designed to be used only once e.g., plastic bags, disposable utensils, wet wipes, razor blades, food wrappers and plastic lids.

4.29 The Council has an action plan in place setting out how it will reduce its own single use plastic and how it will encourage and promote plastic free initiatives borough wide. It requires participation by a wide number of teams and services and as such we have a Council cross-working group to ensure we are doing all we can to achieve this.

4.30 Progress was last reported to Cabinet on this in October 2020 but for the two years after this things have proved challenging due to Covid. We were unable to hold any community events during lockdown and a number of things had to be put on hold due to the offices being closed and restricted operations. However, we have still been able to make positive changes during that time:

- **Environmental impact** has been included in the new Cabinet report template to ensure that consideration is given to climate change and the impact of single-use plastics.

- **We have recruited 32 Climate Change Champions** that help us to communicate with friends, family and local communities about the climate change agenda, including single use plastics.
- **We now have a local Green Guide for Telford and Wrekin** via the Mossy Life website. Accredited as a 'plastic free champion' this website signposts users to local sustainable businesses and organisations and you can search a variety of green credentials including plastic free. A link to this sits on our Sustainable Telford & Wrekin Website and we are working with Plastic Free Taskforce members to promote the website to local businesses, encouraging more to sign up. Mossy Life is regularly updated to include details of Council's activity on Plastic Free.
- **We have introduced dual recycling bins** in the Town Park, Hartshill Park, and Dawley Park that capture recycling separate from general rubbish. These allow people to recycle whilst they are on the go and were a recommendation from the Environment Scrutiny Committee. The non-contamination and quality of recyclates to date has been very good and Environment Scrutiny Committee will be reviewing later this year to see what impact they have made.
- We have **introduced a new recycling process into the Street Champion scheme** - they now have clear bags to separate their recycling into (this is in addition to the blue bags you may see them using for the general waste). This is great news as we have over 1,300 volunteers doing litter picking activity across the borough, so it is far reaching.
- We've also **replaced the plastic hoops that Street Champions use** to hold their rubbish in with ones made out of recycled plastic.
- **The Council's Events team** continue to work with waste companies who are able to evidence that they can recycle the majority, if not all, of the waste from our events. They have worked with some different examples of waste companies to assess their effectiveness both at reducing waste to landfill or incineration and in cost effectiveness. In addition, they have clearly instructed our event vendors and suppliers of our aim to reduce plastic waste, and indeed not to supply it at future events but replace it with sustainable or recyclable alternatives.
- A number of social media campaigns have taken place, this year including:

  – **A Plastic Free Pledge launched February 2022.** The objectives being to spread plastic free messages to a diverse audience, increase awareness, encourage behaviour change and encourage people to make their workplace part of the plastic free community. We created messages to encourage pledge sign-up across all our channels, including messages to volunteers and stakeholders who could share with their communities. In signing the pledge, people signed up to a series of 'tips' emails over the following 4-week period using the last email to cross-sell sign up to the Sustainable TW monthly emails for people who want to keep receiving sustainability tips in future. In total 316 have signed up to the pledge so far and we continue to promote this throughout the year. Example images:

– **Plastic Free July** – linking in with the national campaign we highlighted the environmental impacts of plastic pollution and encouraged local residents and organisations to be part of the solution by 'stepping away from single-use' and signing the plastic free pledge. We ran a series of communications on social media throughout the month including case studies from staff, volunteers and members of the Plastic Free Taskforce. We also delivered an online event for staff to find out more about what we are doing and how everyone individually can make a difference – either at work or at home. This included an online quiz and we gave examples of how to make simple swaps.

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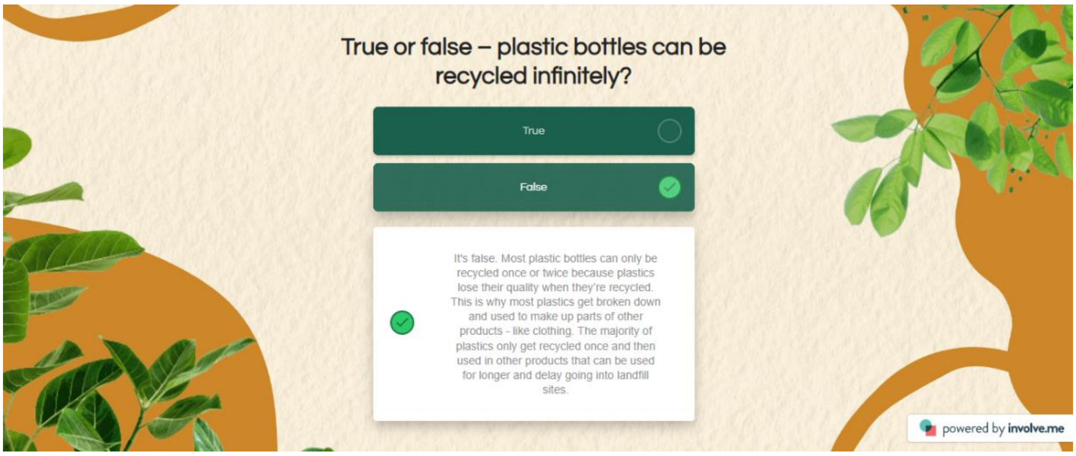

4.31 However, there is still more we need to do and key areas of focus moving forward include:

- Reviewing the use of products that contribute to micro plastic pollution in all our operations.
- Reviewing single-use plastic used in our care sector.
- Exploring how Fleet Services and staff can help reduce vehicle tyre plastic pollution.

4.32 We will also be bringing the Council cross-working group together again to review the current plan and look at what else can be added moving forward to continue removing single-use plastics from our operations.

Achieving plastic free community status for the borough

4.33 The Council has set up and is working collaboratively with a range of local organisations including schools, universities, businesses, community groups and Town and Parish Councils. Collectively Telford & Wrekin Plastic Free Taskforce are working to achieve plastic free community status for the borough by 2023 as well. Accredited by

Surfers Against Sewage there are 5 main objectives to this, so the Taskforce has developed its own action plan and the group meets regularly throughout the year to report progress and work together on joint events.

4.34 For the Council's part, as well as passing a resolution we play a lead role in co-ordinating the work of the Taskforce. This includes administering meetings, gathering evidence to support our application and supporting borough wide awareness raising campaigns and events.

4.35 Progress to date:

- Wrekin Housing Group is our **Flagship employer**
- **All Town Councils need to achieve plastic free status in their own right and pass resolutions** – so far 1 has achieved this (Newport) and the rest are working towards this and are at various stages in the process.
- **42 businesses in the borough overall need to be signed up as business allies, supporting the campaign and removing at least 3 single use plastics from their operations** – so far we have 54 signed up but the Partnership will continue to work with more across the borough.
- **We require plastic free allies;** from schools, community facilities, places of worship and libraries – and we have been carrying out targeted engagement with these groups this year and offered to support them with making the commitment. Work is still in progress to get as many signed up as possible. This will include the Council's own Leisure Centres, Libraries, Theatre and outdoor activity centres.
- **Holding at least 2 community events in each calendar year:**

  – Last year we did a borough wide litter picking event that included recycling (as part of the Great British Spring Clean campaign). Working in conjunction with partnership members and local Street Champions it was held across Hollinswood, Woodside, Dawley, Wellington, Oakengates and Ironbridge. As part of the litter picking we asked participants to separate the rubbish between general household waste and recycling and this was supported by a promotional campaign and video to raise awareness about the importance of recycling and single use plastics. In total 85 bags of general waste and 56 bags of recyclables were collected during this event. Following this we became shortlisted finalists at the Keep Britain Tidy Network Awards 2022.

  – We also worked on an **Ocean Fish project**, in partnership with the British Ironwork Centre, which was launched as part of a schools' education programme. 23 schools took part, all of which painted a fish which was provided by the Ironwork Centre.
  In doing this they learnt about why we should stop using single use plastics and what we can do to change. All the fish went on display in the Town Park over the August Bank Holiday weekend as part of the Balloon Festival. Following that they were put on display in the Chelsea Gardens in the Town Park for a period of time along with some background information about the project.

– This year as part of the **Council's Youth Climate Summit** we had a 'Plastic Free' stand to promote the work of the partnership and to encourage more schools to sign up and become community allies.

– Later this year we will be hosting a 'greener living' event to provide a celebration of sustainable living and to get a variety of stalls to offer information and advice on a range of different topics including single-use plastics.

5. **Next steps**

5.1 To build on the progress made to date and to ensure that the Council's carbon mitigation work fully contributes to wider issues of extreme weather and fuel poverty the following areas of work are seen as a priority:

- **To keep the Corporate Climate Change Action Plan and Plastic Free Action Plan under constant review** and to work across the authority to identify new initiatives.
- **To continue to monitor progress on a quarterly basis** to ensure progress is being made and to identify challenges more quickly to ensure the successful delivery of projects.
- **To work with service areas to develop adaptation plans** or to ensure that the impacts of climate change are fully reflected in business continuity plans.
- To ensure that any actions to address climate change also continue to play a full part in helping Telford's residents, community groups and businesses **address the impact of unprecedented recent increases in fuel prices and fuel poverty.**
- **Developing a Supplementary Planning Document (SPD)** on climate change in support of the revised Local Plan.
- **Extend our range of advice and support to staff –** including a new Climate Change training module on Ollie and carbon literacy training to support service provision and operations.
- **Lobbying.** We cannot succeed alone and require more legislation and greater funding support from Government in order to push forward with this agenda in the way that is needed. Working together with other members of UK 100 will help us do this.

6.0 Alternative Options

6.1 The alternative option would be to do nothing and not deliver on the council's climate change commitments. However, this could lead to serious reputational risks for the council as a community leader.

Not addressing issues such as energy efficiency of buildings or development of renewable energy generation opportunities would also lead to significant cost implications through increase in fuel bills and loss of income. Doing nothing would also lead to a negative impact on the health and social / economic wellbeing of Telford and Wrekin businesses, communities, and residents.

7.0 Key Risks

7.1 Committee Independent Assessment of UK Climate Risk for the UK's third Climate Change Risk Assessment (CCRA3), published in June 2021[2] sets out the priority climate change risks for the UK. In summary, risks in the report include:

- The impacts of climate change on the natural environment.
- An increase in the range, quantities and consequences of pests, pathogens and invasive species.
- The risk of climate change impacts, especially more frequent flooding and coastal erosion, causing damage to infrastructure services.
- A reduction in public water supplies due to increasing periods of water scarcity.
- The impact of extreme temperatures, high winds and lightning on the transport network.
- The impact of increasing high temperatures on people's health and wellbeing.
- Increased severity and frequency of flooding.
- Disruption to the delivery of health and social care services due to a greater frequency of extreme weather.
- Damage to cultural heritage assets as a result of temperature, precipitation, groundwater and landscape changes.
- Impacts internationally that may affect the UK, such as risks to food availability, safety and security, risks to international law and governance from climate change that will affect the UK, international trade routes, public health.

Therefore, there are significant risks as outlined should the Council fail to mitigate climate change and ensure that residents, businesses and the natural environment are able to adapt to the future climate.

8.0 Council Priorities

8.1 The councils' work on climate change and sustainability is a direct response to the council's priority "Our natural environment is protected, and the Council has a leading role in addressing the climate emergency". However, as a cross cutting agenda it also has a significant contribution towards all other council priorities including:

– Every child, young person and adult lives well in their community.
– Everyone benefits from a thriving economy.
– All neighbourhoods are a great place to live

[2] https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-England-Summary-Final.pdf

– A community-focussed, innovative council providing efficient, effective and quality services.

9.0 Financial Implications

9.1 An approved allocation of £4m was included in the capital programme to support Climate Change initiatives; spend in previous years totalled £0.2m which leaves £3.8m available in 2022/23. This is being allocated to schemes in the Action Plan which are detailed in this report and appropriate finance support is being provided. Finance will also provide support in relation to any bids for external funding as required.

The Community Municipal Investment was launched in May 2022 and provides an opportunity for individuals to lend money to the Council which will be used to fund projects across Telford & Wrekin to help tackle the climate emergency. This is a new borrowing source for the Council (permitted in the approved Treasury Strategy), which is an alternative to loans from the Public Works Loans Board (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.

10.0 Legal and HR Implications

10.1 Legal

The Climate Change Act 2008 (as amended) establishes a legally binding target to reduce the UK's greenhouse gas emissions by 100% by 2050 when compared with the 1990 baseline. At a local level, Section 19(1A) of the Planning and Compulsory Purchase Act 2004 requires local planning authorities to include in their local plans, policies designed to secure that the development and use of land in the local planning authority's area contribute to the mitigation of, and adaptation to, climate change. In the management of its activities, provision of its services and performance of its functions, local councils are in a position to play a vital role in meeting the challenges posed by climate change. The Council has wide scope to decide how best to address these challenges.

Full legal support was provided for the implementation and launch of the Community Municipal Bonds scheme.

Implementation of the proposals in this report may give rise to specific legal issues upon which specific legal advice will be provided as necessary

10.2 HR

This report does not raise any specific implications for HR.

11.0 Ward Implications

11.1 This report has a borough wide impact

12.0 Health, Social and Economic Implications

12.1 Climate change will continue to have a significant impact on the health of Telford and Wrekin's residents as well as on their social and economic wellbeing. For example, July 2022 saw the highest temperatures on record. Heatwaves can lead to very serious health implications particularly for the most vulnerable[3] Many of the actions set out in the climate

[3] https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30434-3/fulltext

change plan have considerable co-benefits. The Climate Change Fund supports businesses and community groups with energy efficiency measures which should help address recent rises in fuel prices.

13.0 Equality and Diversity Implications

13.1 The Council's Climate Change Action Plan takes account of the legal requirement to pay due regard to the aims of the Public Sector Equality Duty. Key to this is consideration of people's specific needs based on their protected characteristics.

People who share protected characteristics of age, race, ethnicity and disability are often disproportionately affected by climate change and its consequences. This is true locally and internationally. Extreme weather events, for example heat waves most detrimentally affect older residents and those with pre-existing respiratory and cardiovascular conditions.

The success of our climate change activity relies on active participation by the whole community. Steps are taken to make sure that events are inclusive and the differing needs of individuals are considered so that they can access activities and contribute effectively.

14.0 Climate Change and Environmental Implications

14.1 This report sets out the key areas as to how Telford and Wrekin Council is helping address climate change and environmental implications.

15.0 Background Papers

1. Telford and Wrekin Becoming Carbon Neutral Update – report to Cabinet 4 November 2021
2. Telford & Wrekin Council Becoming Carbon Neutral Action Plan - Annual Update 18 March 2021
3. Reducing Single-use Plastic in Telford and Wrekin – update report - 8 October 2020

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Pauline Harris	11/08/0220	17/08/2022	PH
Emma Harvey	23/08/2022	24/08/2022	EH

Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

Tuesday 24 January 2023

Update on the PSAA – External Audit Appointment Process

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
Report Author:	Tracey Drummond - Principal Auditor	
	Rob Montgomery - Audit & Governance Lead Manager	
Officer Contact Details:	**Tel:**	**Email:**
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	01952 383105	tracey.drummond@telford.gov.uk
Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	Senior Management Team – 10 January 2023	

1.0 Recommendations for decision/noting:

It is recommended that members of the Audit Committee

1.1 Note the contents of this report and recommend the appointment of KPMG as the Councils External Auditors.

2.0 Purpose of Report

2.1 The purpose of this report is to update the Audit Committee on the PSAA process the appointment of External Audit.

3.0 Background

3.1 At the Audit Committee meeting dated 28 September 2021 members agreed that:

- The Council uses the national Sector Led Body (SLB) appointed by the Government – Public Sector Audit Appointments Ltd, to undertake the procurement of External Auditors
- The CFO (or their delegated officer) takes appropriate actions following the Council decision to opt into the PSAA procurement process and engages with the PSAA to inform their specifications and proposed supplier

3.2 On the 26 November 2021, the Director: Finance & HR received confirmation from the PSAA that Telford & Wrekin Council had opted in the the appointing person arrangements from April 2023 operated by PSAA.

3.3 The PSAA have recently communicated that:

- The PSAA current procurement of local audit services is about to enter a concluding stage
- The initial process has secured 96.5% of the capacity required to enable auditor appointments to al lthe bodies that have opted into the PSAA national scheme
- A supplementary procurement has been launched on 25 August 2022 with a closing date of 13 September 2022

3.4 On 22 November 2022, the PSAA sent a consultation to the Council on their appointment proposal. The PSAA propose that KPMG are appointed as the auditor for the Council for 5 years from 2023/24.

3.5 Following a statutory consultation process auditor appointments for opted-in bodies were completed by 31 December 2022 for audit years from 2023/24.

4.0 Summary of main proposals

4.1 Audit Committee is asked to note the contents of this report and recommend the appointment of KPMG as the Councils External Auditors.

5.0 Alternative Options

5.1 It is a legal requirement for the Council to appoint an external auditor. The report sets out the basis upon which the PSAA appointment process has been followed and how KPMG have been identified as the preferred supplier.

5.2 Committee could decide not to make a recommendation for the appointment of KPMG, however to do so given the procurement exercise and the Committee's previous decisions would not be advisable and may run the risk of legal challenge.

6.0 Key Risks

6.1 A change of supplier may require additional resources during the handover period, however KPMG have previously been our external auditor and therefore risks should be minimal. Risks will be appropriately managed to ensure the handover period is effectively managed.

7.0 Council Priorities

7.1 The report and its recommendations will ensure a community-focussed, innovative council providing efficient, effective and quality services.

8.0 Financial Implications

8.1 It is very likely that the Sector Led Body option resulted in a lower fee than could have been negotiated by an individual authority locally, through economies of scale from the large-scale contracts negotiated by PSAA Ltd. However, to meet the requirements of the audit regime applicable to local authorities in future, the level of fee will increase significantly. An allowance has been built into the Council's Medium Term Financial Strategy to cover this increase.

9.0 Legal and HR Implications

9.1 Section 7 of the Local Audit and Accountability Act 2014 ("the Act") requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

9.2 Section 12 of the Act makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

9.3 Members will not that section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power was exercised in the Local Audit (Appointing Person) Regulations 2015/192 ("the Regulations") and this gave the Secretary of State the ability to enable a Sector Led Body to become the appointing person. Effectively this means that the Council asked the 'appointed person' (sector led body) to undertake the local auditor selection process on its behalf and make recommendations back to the council for approval.

9.4 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, sets out that a principal authority will need to make the decision to opt into the PSAA at a full council meeting.

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 across all Council Wards.

11.0 Health, Social and Economic Implications

11.1 There are no health, social or economic implications directly arising from this report.

12.0 Equality and Diversity Implications

12.1 The procurement for the External Assessment will follow proper practices in respect to procurement and equalities and the chosen supplier will have to demonstrate a commitment to equality and diversity in the way it provides its services.

13.0 Climate Change and Environmental Implications

13.1 There are no climate change and environmental implications directly arising from this report.

14.0 Background Papers

Audit Committee update on appointment process 23 November 2022.

28 September 2021 Audit Committee approval to use PSAA Ltd to undertake procurement exercise
None.

15.0 Appendices

None.

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	06/12/2022	06/12/2022	KC
Legal	21/12/2022	03/01/2023	RP

Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

Tuesday 24 January 2023

Internal Audit Activity and Update to Internal Audit Charter 2023/2024

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance and Customer Services	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
Report Author:	Tracey Drummond - Principle Auditor Rob Montgomery - Audit & Governance Lead Manager	
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Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	Senior Management Team – 10 January 2023	

1.0 Recommendations for decision/noting:

It is recommended that members of the Audit Committee

1.1 Note the information contained in this report in respect to the Internal Audit planned work undertaken between 1 October 2022 and 31 December 2022 and unplanned work to date.

1.2 Members of the Audit Committee approve the revised Internal Audit Charter 2023/24.

2.0 Purpose of Report

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

2.2 To provide members with an update on the internal Audit Charter

3.0 Background

3.1 This report provides information on the work of Internal Audit from 1 October 2022 to 31 December 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 fulfilling 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.

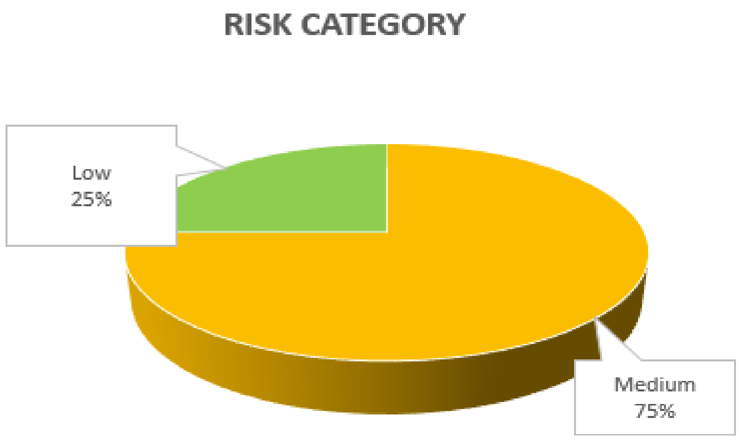
3.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

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

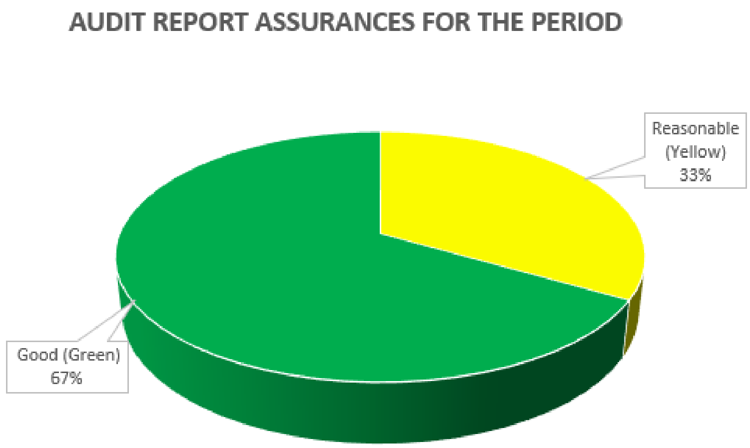
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

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 1/10/22-31/12/22 AND CURRENT STATUS						
Area	**Date of Report**	**Level of risk on plan**	**Original Audit Grade**	**Follow up Due**	**Revised Grade**	**Comments**
Council liabilities, which fall outside other dedicated budgets ('G100' budget)	14/12/2022	M	Good	n/a – green report		
Green Homes Grant: Local Authority Delivery Grant Determination (2020): No 31/5187 – Phase 2.	31/10/22	M	Good	n/a – green report		
IDT - Asset Management	24/11/22	M	Reasonable	May 23		
Teagues Bridge Primary	3/11/22	M	Reasonable	May 23		
IDT - User Account Management	20/10/22	M	Reasonable	Apr 23		
SS Peter & Pauls Catholic Primary	5/10/22	M	Reasonable	Apr 23		

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	Follow up to be undertaken end of October 22	Good	Follow up complete. Grading changed to green therefore no further follow up to be undertaken
Register of Interests	10/12/21	Reasonable	Follow up complete. Need to test further once new policy implemented 2nd follow up due Nov 2022	Reasonable	Follow up complete, grading remains a yellow but low risk therefore no further follow up to be undertaken
Horsehay Bar	31/03/2022	Poor	Follow up booked end of Oct 2022	Reasonable	Follow up complete and grading changed to yellow. Further follow up to be undertaken Feb 2023
Millbrook Primary School	17/02/2022	Limited	Follow up in progress	Good	Follow up complete. Grading changed to green therefore no further follow up to

					be undertaken
Lilleshall Primary School	14/02/2022	Reasonable	1st Follow up complete 2nd follow up due January 23	Good	2nd follow up to be completed Jan 23
St Lawrence CE Primary	08/03/2022	Reasonable	Follow up in progress	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
St Georges Primary School	14/03/2022	Reasonable	Follow up delayed to December 2022 due to school staff illness	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
Council Tax/NNDR	27/04/22	Reasonable	Follow up due October 2022	Reasonable	Follow up complete. Grading remains unchanged therefore 2nd follow up due April 23
ICT Software licensing	29/03/2022	Reasonable	Follow up due October 2022	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken

Purchase Ledger (21/22)	18/6/22	Limited	Follow up in progress	N/a	Follow up in progress
Apley Wood Primary School (21/22 Plan)	19/05/2022	Reasonable	1st Follow up complete. 2nd follow up due January 2023	Green	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
Appointeeship & Deputyship Arrangments (21/22 Plan)	27/5/22	Reasonable	Follow up due October 2022	Good	Follow up complete. Grading changed to green therefore no further follow up will be undertaken
Climate Change and Carbon Reduction	26/07/2022	Reasonable	n/a	N/a	Follow up due January 23
Mobile Endpoint	27/09/2022	Reasonable	n/a	N/a	Follow up due March 23

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 2022/23 plan and meeting corporate 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 this plan, 14 audits have been completed and 6 are in progress. There have been no changes to the audits shown on the plan since the last audit committee meeting.

5.0 Unplanned work

5.1 The team receive income from auditing school fund accounts and an auditor is employed specifically to undertake this work. This member of staff left the Authority, therefore the Audit Team have been auditing these accounts until a new member of staff was appointed.

5.2 Work continues on the commercial contracts with Academies and Town Councils, a total of 8 Academy Trusts and 2 Town Councils are using our service. Internal Audit continue to look for opportunities to expand their commercial offering

6.0 Quality Assurance and Improvement Programme

6.1 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.

7.0 Internal Audit Charter

7.1 The Internal Audit Charter defines for the Council and the community internal audit activity's, purpose, authority and responsibilities, consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)[1] and the Council.

7.2 The terms of reference of the Audit Committee require the committee to approve the Internal Audit Charter on an annual basis. The charter has been reviewed by the Audit & Governance Team Leader and changes made to reflect the requirements of the PSIAS. See Appendix 2 attached to this report.

[1] PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practice by CIPFA the Internal Audit standard setters for Local Government.

8.0 Summary of main proposals

8.1 It is proposed that members of the Audit Committtee approve the Internal Audit Charter.

9.0 Alternative Options

9.1 Amendments can be made to the Internal Audit Charter, as required by committee members, however the proposed version is based on Officer’s recommendations based on national best practice.

10.0 Key Risks

10.1 Should the internal audit charter not be updated then it will not reflect best practice.

11.0 Council Priorities

11.1 A community-focussed, innovative council providing efficient, effective and quality services.

12.0 Financial Implications

12.1 The planned work undertaken by the Internal Audit Team as outlined in this report is funded through the Council’s base budget and approved as part of the Medium Term Financial Strategy. Income generated by Internal Audit from commercial contracts is used to offset the overall costs of the Internal Audit Team therefore reducing the amount of base budget required.

12.2 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 as a result of accepting the recommendations of this report.

13.0 Legal and HR Implications

13.1 There are no direct legal or HR implications arising from this report. The Council is required to undertake internal audit activity and to report the outcomes of that activity. It is one way that the Council can demonstrate it is operating transparently and in accordance with good governance.

14.0 Ward Implications

14.1 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.

15.0 Health, Social and Economic Implications

15.1 There are no health, social or economic implications directly arising from this report.

16.0 Equality and Diversity Implications

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

17.0 Climate Change and Environmental Implications

17.1 There are no direct climat change and environmental implications arising from this report.

18.0 Background Papers

1. Annual Audit Plan 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

19.0 Appendices

1. 2022/23 Annual Audit Plan
2. Internal Audit Charter

20.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	12/01/2023	12/01/2023	RP
Finance	04/01/2023	05/01/2023	MB

APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2019/20

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	Complete
Local Transport Capital block funding	Finance & Human Resources	2	2 & 5	M	Complete
Bus subsidy grant	Finance & Human Resources	2	all	M	Complete
Comf grant	Finance & Human Resources	2	all	M	Complete
healthy weight grant	Finance & Human Resources	2	all	M	Complete
universal Drug Grant (unplanned)	Finance & Human Resources	2	all	m	Complete
Test & Trace Grant (Unplanned)	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	Deferred
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	Deferred
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	In Progress
Healthy weight grant	Public Health & Resilience	as above	all	M	As above - complete
Schools (19 schools)	Education & Skills	100	1,3,5	M	8 school deferred. 2 Complete
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	1 in progress 3 complete
Registrar	Community Customer & Commercial Serv	12	**2,3,5**	M	In progress
benefits	Community Customer & Commercial Serv	15	all	M	In progress
Customer services	Community Customer & Commercial Serv	8	all	M	deferred
Homlessness reduction act	Housing & Communities	25	1,3,5	H	deferred
Bus subsidy grant	Neighbourhood & Enforcement	as above	all	L	as above - complete
Ideverde contract	Neighbourhood & Enforcement	4	all	M	deferred
T&W 'Other Assets'	Neighbourhood & Enforcement	8	all	M	complete
Transport Review (Children & Adult Transport)	Neighbourhood & Enforcement	20	all	M	Deferred
Licensing	Neighbourhood & Enforcement	12	**2,3 & 5**	M	

Disposal of land	Property & Investment	8	2,3,4,5	M	deferred
BIT	Property & Investment	12	2,3,4,5	M	In Progress
Impact of Covid 19	Corporate	15	all	H	In Progress
		544			

Original plan	**Amended plan**
59 jobs	46 jobs
649 audit days	629 audit days

Complete	14
In progress	6
deferred	15

Internal Audit Charter – 1 April 2023 to 31 March 2024

1. Introduction

1.1 This charter defines for the Council and the community internal audit activity's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)[1] and the Council.

1.2 This charter will be approved by the Audit Committee, after consultation with senior management[2] and will be reviewed annually.

2. Internal Audit Purpose and Responsibilities

2.1 Internal Audit Purpose

2.1.1 The Audit & Governance Team is led by the Audit & Governance Lead Manager under the direct management of the Director: Policy & Governance. The team supports the Co-operative Council in the delivery of services to the community to help improve their quality of life and the promotion of Telford & Wrekin as a place of partnership, enterprise and innovation. The team supports the whole Council to deliver economic, efficient and effective services[3] and achieve the Council's programme to ***"Protect, Care and Invest to Create a Better Borough".***

2.2 Internal Audit Objectives

2.2.1 To review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council.

2.2.2 To provide a respected, cost effective, objective and quality internal audit service including the provision of advice and guidance to assist our customers to meet their objectives and improve their services, including the rationalisation of controls, where appropriate.

2.2.3 To deliver value adding internal audit activity whilst meeting the requirements of the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics (especially objectivity and integrity) and the Core Principles for the Professional Practice of Internal Auditing (see ANNEX I).

2.2.4 To work with the External Auditor and other assurance bodies to provide the most effective internal audit service.

2.2.5 To value and continuously develop the team.

2.3 Internal Audit Responsibilities

2.3.1 To undertake the statutory Section 151 audit for the Chief Financial Officer (CFO), in line with the Accounts and Audit Regulations 2015.

2.3.2 To deliver the Council's risk based annual audit plan taking into account the Accounts and Audit Regulations 2015, the management of risk, senior management consultations, internal and external intelligence, comments from the Audit Committee and any requirements of the External Auditor. The plan is reviewed and amended, if required. Any significant changes are reported to senior management and the Audit Committee.

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[1] PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practice by CIPFA the Internal Audit standard setters for Local Government.

[2] Senior management is the Senior Management Team comprising the following officers - Chief Executive, Executive Directors and Directors.

[3] By providing advice and guidance on the management of risks, controls and governance processes in service delivery and by supporting service reviews, restructures and reducing bureaucracy

2.3.3 To ensure that there are sufficient resources to deliver the statutory requirements and plan above and to report any potential concerns to the CFO, Monitoring Officer and Audit Committee.

2.3.4 To operate as an independent, objective assurance function designed to add value and improve the effectiveness of the governance, risk management and control processes of the Council. The independent assurance work may include financial, performance, compliance, system security and information governance assignments.

2.3.5 Internal Audit does not undertake any individual consultancy assignments.

2.3.6 To ensure audit assignments are delivered to measure the effectiveness of risk management at a local level.

2.3.7 To appropriately manage any potential conflicts of interest in the delivery of internal audit activities and non-audit activities and to periodically rotate the annual audit work between staff.

2.3.8 To provide clear, objective and concise internal audit reports to support management in implementing recommendations to improve services and risk management, control and governance processes.

2.3.9 To provide responsive, challenging and informative advice and support on risk management, controls and governance to management.

2.3.10 To report to the Audit Committee[4] as defined in their terms of reference.

2.3.11 To develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity.

2.3.12 To arrange at least once every 5 years an external assessment of internal audit by an appropriate person[5] from outside the Council. The timing, form of the assessment and the results will be agreed with and reported to the Audit Committee.

2.3.13 To investigate and/or support the investigation of cases of suspected financial irregularity, fraud or corruption, except council tax support fraud investigations, in accordance with agreed procedures.

2.3.14 To provide appropriate assurance to relevant parties external to the Council. Currently Internal Audit complete:

- The Annual Governance & Accountability Return for a number of Parish Councils they have contracts with
- Internal audit/scrutiny work for a number of multi academy trusts

2.4 Internal Audit Authority

2.4.1 The Audit & Governance Lead Manager is the Council's Chief Audit Executive as defined in the PSIAS.

2.4.2 The Audit & Governance Lead Manager is line managed by the Council's Monitoring Officer but has unfettered access to the Chief Executive, the CFO and all senior managers within the Council.

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[4] The Audit Committee is the Board as defined in the Public Sector Internal Audit Standards
[5] Qualified, independent assessor or assessment team

2.4.3 The Audit & Governance Lead Manager has responsibility for non-audit services including Information Governance, Insurance Services, Risk Management and the Corporate Investigation Team. The Audit & Governance Lead Manager will communicate any further changes to their scope of responsibility in terms of non-audit functions to the Audit Committee prior to commencement of any such functions. In order to avoid/manage any potential conflicts in respect to the audit of the Information Governance and Insurance functions (and any other future additional functions) external contractor personnel are used to undertake this work and in addition to standard quality review the results and responses are overseen by the CFO in addition to the Monitoring Officer.

2.4.4 The Audit & Governance Lead Manager, in conjunction with the Director: Policy & Governance, reports to the Audit Committee but also has unfettered access to the Chair of the Audit Committee, the Leader, other Cabinet Executives and the External Auditor.

2.4.5 In order for Internal Audit officers to be independent and objective whilst undertaking Internal Audit activity they have the authority to:

- enter at all reasonable times any Council premises or land;
- have access to all Council and partner records[6], documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members, as considered necessary by the CFO, Monitoring Officer or Audit & Governance Lead Manager;
- have access to records belonging to third parties such as contractors or partners when required;
- require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party; and
- require any employee or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.

2.4.6 If at any time it is determined that the independence and/or objectivity of Internal Audit is impaired, the Chief Audit Executive will report this immediately to the Senior Management Team and Audit Committee.

2.5 How the Audit & Governance Lead Manager will form and evidence his opinion on the control environment to support the Annual Governance Statement.

2.5.1 The Audit & Governance Lead Manager prepares an annual audit plan. Internal Audit planning is informed and influenced by the Council's vision, priorities and values, the strategic risk register, the requirements of the External Auditor, previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and senior management.

2.5.2 The audit plan outlines the work assignments to be carried out, the resources allocated and the Council priority/ priorities they contributes to. The plan is flexible in order to reflect the changing needs and priorities of the organisation. Work is carried out by the audit team in accordance with the PSIAS using a risk based audit methodology and each Internal Audit report provides an opinion on the area reviewed.

2.6 How Internal Audits work will identify and address significant local and national issues and risks

2.6.1 The Audit & Governance Lead Manager has quarterly meetings with the Chief Executive and CFO. Senior audit staff meet with Directors and their management teams as required to identify

[6] Records include business e-mail and internet records

any local and national issues and risks, changes in the service area, and any new areas that require input from Internal Audit.

2.6.2 Employees within Internal Audit have access to the West Midlands Internal Audit Groups and other CPD/networking events through Chartered Institute of Public Finance Accountants and the Chartered Institute of Internal Auditors. These support continued professional development and help to identify any issues that may affect the delivery of internal audit services.

2.7 Internal Audit Resources

2.7.1 For 2023/24 the Internal Audit team has a resource of 4.27 full time equivalent (fte) employed staff plus at least 30% of the Audit & Governance Lead Manager. In addition, there is an external contract which will deliver
40 days of specialist IT work.

2.7.2 The budget for Internal Audit[7] is approved by the Council as part of the annual service and financial planning strategy following consideration by senior management, Scrutiny and the Cabinet.

2.8 Internal Audit and the Audit Committee

2.8.1 Internal Audit will report to the Audit Committee on the following:

a) Approval of the Internal Audit Charter;
b) Approval of the risk based Internal Audit Plan;
c) Update reports on Internal Audit activity and performance against the plan;
d) An annual report containing an opinion to inform the Annual Governance Statement; and
e) Any concerns in respect to Internal Audit resources and the level of assurance that can be provided.

2.8.2 The Audit Committee will be part of the approval process for appointing the Councils Chief Audit Executive.

2.8.3 The Chair of the Audit Committee and the Chief Executive will feed into the Annual Personal Performance & Development process for the Chief Audit Executive.

Public Sector Internal Audit Standards

MISSION OF INTERNAL AUDITING: To enhance and protect organisational value by providing value added, risk-based and objective assurance, advice and insight.

The definition of Internal Auditing within the Standards is:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Code of Ethics - Summary

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are 4 principles in the code of ethics:

1) Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
2) Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
3) Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4) Competency – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

All public sector officials including internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.[7]

Internal Auditing Professional Practices Framework

Core Principles for the Professional Practice of Internal Auditing

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement

Council's values: – Ownership – Openness & Honesty – Involvement – Fairness & Respect

[7] Information can be found at www.public-standards.gov.uk

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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

24 January 2023

AGS Action Plan Update

AGS ACTION PLAN FOR 2021/22 FOR IMPLEMENTATION DURING 2022/23

No	Findings	Actions	Lead Officers	Status as at December 2022
1.	Ongoing savings proposals and continued strategic management of organisational changes to continue particularly in light of COVID19. *Ongoing from 20/21 AGS*	Continued management/reduced budgets, revised structures and commercial/ business approach which links to the continued development and implementation of revised governance framework. Financial impact of COVID19 under ongoing review. Further consultations on future savings where necessary.	• Chief Executive • SMT	Documented actions are ongoing. In addition, it should be noted that saving opportunities are sought throughout the year and not just annually as part of the budget process. This allows the Council more time to develop saving proposals and deliver more creative solutions.
2.	All internal audits consist of an ethics questionnaire that is sent to a sample of staff in the team/areas being audited to demonstrate their understanding of corporate policies and whether staff feel supported. In a small number of responses returned it was noted that:	The induction process has already been updated and improved and further development is being carried out as part of an ongoing review of our employee offer. Further guidance for managers in respect to completion of regular 121's, supervision and team briefs. Development of service strategies underpinned by team plans which link	• SMT/SDM • Policy & Development Manager	Face to face induction for all new starters was introduced in November 2022 with 50 new starters attending the first session. The face to face induction will run every 2 months and is mandatory for all new starters to attend. As part of the induction both OD and HR have a slot and personal development is discussed. As part of this Organisational Development are producing a new starter employee handbook which will contain guidance including 1-1s and APPDs.

No	Findings	Actions	Lead Officers	Status as at December 2022
	• <u>Some</u> staff felt that training and awareness could be developed further • <u>Some</u> staff do not have regular 1:2:1 supervision or team briefs These findings have been shared when discussing individual audit reports with relevant SDM's and Directors and taken to SMT as part of reporting corporate recommendations. *Ongoing from 20/21 AGS*	to the Councils priorities. This link to the APPD process creating the organisational golden thread Roll out of a new, bespoke management and leadership programme commenced in January 2022 and forms part of an 18 month programme to contribute to the development of our employees.		All Directors have a service strategy and these were refreshed in line with service and financial planning strategy in November 2022. All service strategies are available on the Council intranet. APPD training/guidance sessions for Managers and employees have also been available for all employees to book on. The Management & Leadership programme has been running for 12 months and will continue into the new year.
3.	A small number of responses from Internal Audit ethics questionnaires sent out indicated that those staff questioned could have a greater awareness of some corporate policies.	Governance reminders sent to staff. Training and further publicity given on fraud/whistleblowing with new methods of reporting made available. Reminders on relevant policies applicable to the work undertaken by those being audited, and applicable to the wider workforce will be recirculated; for example, the Employee Code of Conduct, the	• SMT/SDM • Policy & Development Manager • Audit & Governance Lead Manager	Governance reminders have been sent to staff on a number of governance related matters. The Whistleblowing Policy is currently under review and will be widely publicised when finalised. Fraud awareness has been included in the new starter induction. The employee handbook also contains links to all relevant employee policies.

No	Findings	Actions	Lead Officers	Status as at December 2022
	Ongoing from 20/21 AGS	Whistleblowing Policy, the Business Activity & Private Work Policy and the Corporate Information Security Policy.		
4.	The results of the annual governance certification process highlighted that in some service areas there were reductions in appropriate skilled staff numbers. Difficulties in recruiting have resulted in single points of failure or the use of agency staff. Service Delivery Managers are aware of these issues and where possible are putting measures in place to try and mitigate this. *Ongoing from 20/21 AGS*	Number of initiatives in place including service and workforce planning, apprenticeship scheme, Kickstart programme, etc. New bespoke management and leadership programme commenced in January 2022. Additional recruiting measures being used via social media platforms.	• Chief Executive • Director of Finance & Human Resources • Policy & Development Manager	Work has been undertaken with Directors to review their workforce and consider gaps in future workforce skills and consider apprentices for this. Quarterly meetings with Directors take place to ensure that apprentices are being used to meet business need. Workforce planning sessions to review and update all Director workforce plans will be undertaken in the New Year subject to SMT approval.
5.	The results of the annual governance certification process has highlighted that service areas have experienced data breaches and potential near	Information Governance to: • To ensure lessons are learnt after each breach and suggested	• SIRO/SMT • SDM's • Audit & Governance Lead Manager	All data breaches/incidents reported to Information Governance are documented including lessons learnt.

No	Findings	Actions	Lead Officers	Status as at December 2022
	misses in respect to personal data. Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring. It should be noted that the Information Commissioners Office has not taken any action against the Council during this time. *Ongoing from 20/21 AGS*	improvements communicated corporately where applicable. • Audit & Governance to review current training materials. • The Information Security Breach Procedure has been updated and is available on the Council's intranet. This has been publicised to all staff. • Breaches are reported to the individual Director as and when they occur • Corporate Information Security Policy recirculated to relevant staff members • Breaches are reported to Senior Management Team meetings on a regular basis		A summary of lessons learnt are communicated corporately on a periodic basis. Information Governance training materials are being revamped and will be available in the new year. Breaches are reported to Directors. Register of concern letters are sent to officers whose actions contribute to a data breach/incident occurring. Information Governance are working with IDT to reduce the number of email related breaches. No ICO action has been taken against the Council in respect to data breaches.
6	A small number of managers reported delays in destruction of documents in line with retention policies throughout the year due to limited access to the secure storage areas as a result of COVID.	• Reminder to be sent to staff in relation to access to all Council buildings including. • Reminder to be sent on the use of the Council's document storage unit.	• SDM's • Audit & Governance Lead Manager • biT Service Delivery Manager	Reminders have been sent out by Information Governance on this. Information Governance continue to keep the situation under review.

No	Findings	Actions	Lead Officers	Status as at December 2022
	These access issues have subsequently eased.	• Reminder to be sent to staff on the importance of complying with the Corporate Information Retention Schedule.		
7	A small number of managers confirmed that their service's internal intranet content required updating.	Reminder to be sent to SDM's on keeping intranet content up to date.	SDM's	SDMs responsible for keeping content up to date. Reminders have been sent on this. OD have recently launched a new OD SharePoint site.

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Audit Committee

24 January 2023

Strategic Risk Register Update

TELFORD & WREKIN COUNCIL STRATEGIC RISK REGISTER

UPDATED JANUARY 2023

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.

Corporate Strategic Risk Register (version 2022.2.1 - dated 10/1/2023)

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 £7.26m net additional funding into Adult Social Care services in 2023/24. The Council's net budget for Adult Social Care will be over £61m in 2023/24. d) The Council's net budget for Children's Safeguarding will exceed £41m in 2023/24, benefitting from additional net funding of £2.5m in 2023/24 compared to 2022/23. e) The combined total net budget allocation for these services will be in excess of £103m.	J Britton S Dillon	**Very Low with controls** Change since last review: =	**Very High with controls –** **Physical Reputation Finance** Change since last review: =

				f) A general budget contingency of £3.95m, with an additional £3m held for inflationary pressures will be available in 2023/24. 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) A comprehensive package of market factors and recruitment and retention incentives have been implemented to aid the			

				recruitment and retention of social workers l) Work to national inspection standards and respond to actions required from inspections. m) OFSTED inspection of Children's Safeguarding January 2020 achieved "Outstanding"". An action plan has been delivered to respond to the small number of recommendations. n) Independent Review of Child Sexual Exploitation (CSE) commissioned by the Council has been concluded. Recommendations from the review are in the process of being implemented. o) 'Essential learning' for all employees includes both child protection and CSE. **Adults:** p) Adult safeguarding part of Safeguarding Partnership in compliance with Care Act requirements and new Adult Safeguarding Guidance & Regulations. q) Adult Services - systematic quality assurance role for all managers from frontline team manager through to DAS			

				r) Quality Surveillance Group chaired by Chief Officer of NHS England Area Team ensures co-ordination of quality & safeguarding issues across health & social care system. s) ‘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	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 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 enables the funding of revenue costs of reform and service transformation initiatives which deliver efficiencies d) ‘Savings programme, service reviews and restructuring. e) Staffing, economic and environmental impact assessments of all savings	D Sidaway K Clarke	**Low with controls** Change since last review =	**Very High with controls – Physical Reputation Service** Change since last review =

	public sector economy			proposals and appropriate consultation mechanisms in place. f) In-year savings exercises possible if necessary g) Rationalisation of Council assets and accommodation h) Prudent level of uncommitted one-off resources and in-year budget contingency of £3.95m 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 (£21.7m) of uncommitted balances available, held within the Budget Strategy Reserve to support the Council's Medium Term Financial Strategy l) Track record of sound financial management having out-turned within budget for 15 consecutive years despite significant financial challenges arising from public sector austerity, the COVID pandemic and the			

				current cost-of-living emergency. m) Safeguarding Children Cost Improvement Plan in place which is monitored by senior officers and members. n) Adult Social Care Cost Improvement Plan in place which is monitored by senior officers and members. 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 Council's Growth Fund and Invest to Save/Capacity Fund. w) All reports to SMT and Cabinet include a financial comment prepared by, or on behalf of the Council's 151 officer, 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	D Sidaway	**Medium with controls** Change since last review =	**High with controls –** **Service Reputation Finance** Change since last review =

				offering a voice and fair treatment for all’ • ‘Our workplace will be healthy and we will support our employees’ wellbeing’ b) Senior Management, SDM and team leader development programmes. c) Each service area has a workforce plan considering • skills gap analysis and needs • apprenticeships d) Specific HR policies: • 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 completed g) Lean Review of recruitment process and the development of the Council’s employment “offer” h) Council values, ethos, rewards and recognition i) Annual Personal Performance and Development discussions for all staff along with regular one to one meetings involving employees and their line managers.			

				j) Staff awards ceremony to celebrate and encourage outstanding performance. k) Review of the use of apprentices			

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 during the pandemic and also through scenario testing. c) Serious Incident Protocol has 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).	J Rowe / Angie Astley	**Low with controls** Change since last review =	**Very High with controls –** **Service Reputation** Change since last review =

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				h) Implementation of a 3rd generation firewall. i) Strong and effective support provided by corporate IDT team to support the implementation of new service specific and corporate systems and upgrades to these systems which also ensures effective system testing arrangements.			

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.	J Rowe Liz Noakes	**Low with controls** Change since last review: =	**Very High with controls – Physical Reputation Finance** Change since last review: =

				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 lone member risk assessments undertaken and appropriate processes are in place (and use of the Stay Safe system). 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 and at meetings.			

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 =	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	D Sidaway	**Low with controls** Change since last review =	**High with controls –** **Reputation Finance** Change since last review =

			last review	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 e) Data Protection Officer attends 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) Directors email all employees that have contributed to a data breach or incident highlighting the potential consequences. k) Information Governance related posters in all main Council buildings l) Staff complete randomly generated questions on data protection/information security every quarter			

				m) Regular bulletins on information governance related matters published in staff news letter n) Completion of annual Data Security and Protection (DSP) toolkit. o) Annual Governance Statement process encompasses key information governance related matters p) Key elements of information governance and IDT security 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. e) Operation 'Tangent' – multi agency plan to respond to landslide in the Gorge is in	Exec Directors / Liz Noakes	**Very low with controls** Change since last review =	**Very High with controls –** **Service Reputation Finance** Change since last review =

				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. i) Corporate budget contingency of £3.95m available to cover unforeseen costs arising up to Bellwin threshold where relevant.			

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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 including heat, cold and flood.	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) Corporate capital budget specifically for projects that support climate emergency projects is included within capital programme. c) Monitor ground stability in the Gorge and water levels. d) Use and testing of flood barriers in Ironbridge	A Astley	**Medium with controls** Change since last review =	**High with controls –** **Environment** **Reputation** **Finance** Change since last review =

				e) Working with street scene contractors to monitor impact on public realm. f) 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. g) Delivering a wide range of schemes to reduce carbon emissions. h) Driving partnership engagement and action on climate change including setting up the Telford and Wrekin Borough Climate Change Partnership i) Addressing biodiversity through actions plans. j) Established the Telford and Wrekin Climate Change Partnership action plan. k) Climate Emergency is at the forefront of the Council's priorities. l) New Council priority defined – 'Our natural environment is protected – we are taking a leading role in addressing the climate emergency m) Strong relationships with key partners including the Environment Agency. n) 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

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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
2022.2.1	23/12/22	R Montgomery	SMT	Update in relation to mitigating actions against each risk.

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