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Date:	**20 November 2023**
Our Ref:	**Governance & Audit Committee/Agenda**
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GOVERNANCE & AUDIT COMMITTEE

29 NOVEMBER 2023

A meeting of the Governance & Audit Committee will be held at **7.00 pm on Wednesday, 29 November 2023** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor W Scobie (Chair); Councillors: Bright (Vice-Chair), Barlow, Braidwood, d'Abbro, Donaldson, Farooki, Garner, Manners, Munns, Nichols, Packman, Pope and Towning

A G E N D A

Item No	Subject
4.	**TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2024/25** (Pages 3 - 48)
11.	**RISK MANAGEMENT** (Pages 49 - 64)
12.	**THANET LOTTERY UPDATE** (Pages 65 - 72)

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Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2024/25

Governance & Audit Committee	29 November 2023
Report Author	Chris Blundell, Director of Corporate Services and Section 151 Officer
Portfolio Holder	Councillor Rob Yates, Cabinet Member for Corporate Services
Status	For Decision
Classification	Unrestricted
Previously Considered by	n/a
Ward	Thanet Wide

Executive Summary:

This report and annexes includes the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement, Annual Investment Strategy, Capital Strategy and Non-Treasury Investments Report (TMSS) for 2024/25.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, 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."

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:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

Key reporting items to consider include:

- capital expenditure of £134.676m forecast over the next three years (2024/25 to 2026/27 inclusive), requiring borrowing of £34.566m.

- No change to the Minimum Revenue Provision policy (policy for paying off the accumulated borrowing requirement).

Recommendation(s):

That the Governance & Audit Committee:

1. Notes, and makes comments on as appropriate, this report and annexes, including each of the key elements listed below.

   a. The Capital Plans, Prudential Indicators and Limits for 2024/25 to 2026/27, including the Authorised Limit Prudential Indicator;
   b. The Minimum Revenue Provision (MRP) Policy;
   c. The Treasury Management Strategy for 2024/25 to 2026/27 and the Treasury Indicators;
   d. The Investment Strategy for 2024/25 contained in the Treasury Management Strategy, including the detailed criteria;
   e. The Capital Strategy for 2024/25;
   f. The Non-Treasury Investments Report for 2024/25.

2. Recommends this report and annexes, including each of the key elements listed above, to council for approval.

Corporate Implications

Financial and Value for Money

The financial implications are highlighted in this report.

Legal

Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the council's finances. For this council, this is the Director of Corporate Services and Section 151 Officer, and this report is helping to carry out that function.

Risk Management

Risk management is as per the provisions of this annual Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Corporate

Failure to undertake this process will impact on the council's compliance with the Treasury Management Code of Practice.

Equalities Act 2010 & Public Sector Equality Duty

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by council.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -
- Growth
- Environment
- Communities.

1 INTRODUCTION

1.1 Background

The council 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 council'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 council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council 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 council 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.

Whilst any commercial activities 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.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, 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."

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare reports 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 this is to ensure:

- that all elected members of the council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- the separation of treasury management and policy investments. The CIPFA definition of treasury management is given in section 1.1 and the key priorities are firstly security, secondly portfolio liquidity, and thirdly yield/return (in that order). Policy investments are typically projects relating to expenditure on fixed assets (such as land and buildings) for service purposes, and would be included on the capital programme.

For this council, these additional reports are the Capital Strategy (see Annex 4) and the Non-Treasury Investments Report (see Annex 5).

1.2.2 Treasury Management reporting

The council 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 residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an 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. In addition, this council will receive quarterly update reports.

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 council. This role is undertaken by the Governance and Audit Committee.

Quarterly reports
In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required. These additional reports do not have to be reported to council but do require adequate scrutiny, which is undertaken by the Governance and Audit Committee.

1.2.3 The council's 2021/22 and 2022/23 accounts have not yet been audited and hence the figures in this report are subject to change.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 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 council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- 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.

1.4 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.

Furthermore, the Code states that it expects “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making”.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

Training was last undertaken by members on 27 September 2023 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

A record will be maintained of the treasury management/capital finance training received by officers central to the Treasury function and by members.

1.5 External service providers

The council uses Link Group, Treasury Solutions as its external treasury management advisors.

The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council 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.

The council uses the Institutional Cash Distributors (ICD) Portal to invest or redeem trades in its Money Market and Bond Funds (MMBFs). The portal provides advanced reporting tools so that the authority can assess its exposure to certain banks or countries.

Most investments via the ICD portal are made via JP Morgan, who act as a clearing house for eleven of the fourteen MMBFs the council currently uses. The clearing house allows the authority to make several investments in different MMBFs but only requires one payment to the clearing house, therefore saving the authority costs in CHAPS fees.

2 THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

The council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure and financing

This prudential indicator is a summary of the council'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	2022/23 Provisional Actual	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
General Fund	12.054	26.640	52.625	20.250	6.493
HRA	4.123	34.095	25.008	18.430	11.870
Total	**16.177**	**60.735**	**77.633**	**38.680**	**18.363**

The table below summarises 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	2022/23 Provisional Actual	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
Capital receipts - GF	0.654	4.653	0.776	0.350	0.350
Capital receipts - HRA	0.553	1.517	3.300	3.305	3.310
Grants and other contributions- GF	7.104	14.336	45.417	7.929	3.000
Grants and other contributions - HRA	0.000	1.583	7.352	4.556	0.000
Reserves - GF	2.430	1.034	0.120	1.370	0.070
Reserves - HRA	3.169	9.023	9.196	5.409	3.400
Revenue - GF	0.000	0.112	0.000	0.000	0.000
Revenue - HRA	0.316	0.370	0.300	0.300	0.300
Net financing need for the year	**1.951**	**28.107**	**11.172**	**15.461**	**7.933**

Other long term liabilities: The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

2.2 The council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure (on buildings, vehicles etc) which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so its underlying borrowing need. It can also be helpful to compare it to the outstanding balance that is still payable on a loan or a mortgage, in this case we are considering how much of the council's debt still needs to be paid for. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of scheme include a borrowing facility from the provider and so the council is not required to separately borrow for these schemes. The council had a provisional £0.767m of long term liabilities (excluding pensions) as at 31 March 2023.

The council is asked to approve the CFR projections below:

£m	2022/23	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate

	Provisional Actual				
Capital Financing Requirement					
CFR – General Fund	23.922	28.687	44.227	52.560	52.750
CFR – HRA	28.312	49.631	54.995	59.305	63.572
Total CFR	**52.234**	**78.318**	**99.222**	**111.865**	**116.322**
Movement in CFR	**0.555**	**26.084**	**20.904**	**12.643**	**4.457**

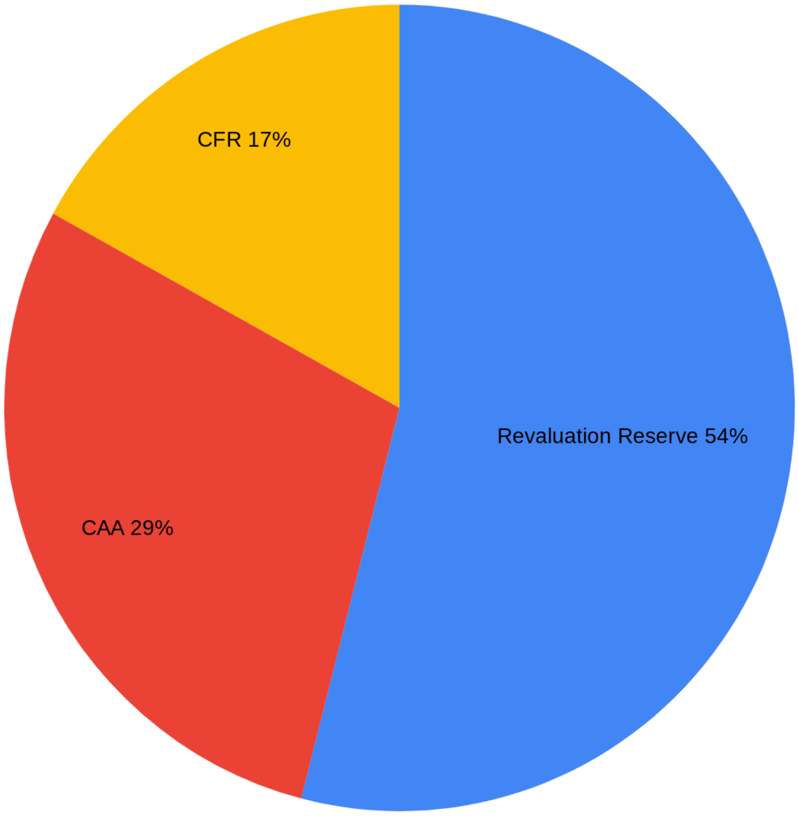
Net financing need for the year (above)	1.951	28.107	11.172	15.461	7.933
Less loan / liability repayments	0.000	0.000	0.000	0.000	0.000
Less MRP/VRP and other financing movements*	(1.396)	(2.023)	9.732	(2.818)	(3.476)
Movement in CFR	**0.555**	**26.084**	**20.904**	**12.643**	**4.457**

**2024-25 includes an estimate for the recognition of leases under International Financial Reporting Standard 16 (IFRS 16).*

The Fixed Asset Analysis chart below shows that, using the council's draft accounts as at 31 March 2023, 17% of the council's capital / long-term assets had yet to be funded (CFR) and 29% had effectively been paid off or funded (Capital Adjustment Account). The remaining 54% represented the aggregate increase in value of these assets since acquisition by the council.

Fixed Asset Analysis	£m	%
Capital Financing Requirement (CFR)	52	17
Capital Adjustment Account (CAA)	91	29
Revaluation Reserve	168	54
Fixed Assets (total of above)	**311**	**100**

Fixed Asset Analysis



2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	2022/23 Provisional Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Fund balances / reserves	22.975	20.451	15.673	14.575	15.485
Capital receipts	8.175	5.212	1.149	1.834	1.834
Earmarked reserves	16.256	14.770	14.744	15.244	15.744
Total core funds	**47.406**	**40.433**	**31.566**	**31.653**	**33.063**
Balances incl working capital*	44.778	10.000	3.815	4.037	2.583
(Under)/over borrowing	(31.585)	(0.433)	(0.381)	(0.690)	(0.646)
Expected investments	**60.599**	**50.000**	**35.000**	**35.000**	**35.000**

**Working capital balances shown are estimated year end; these may be different mid-year and can vary significantly depending on operational timing factors.*

2.4 Minimum revenue provision (MRP) policy statement

The council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former DLUHC regulations (option 1).

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

The principal element of repayments included in annual PFI or finance leases are applied as MRP.

For capital expenditure on loans to third parties (funded from borrowing) where the principal element of the loan is being repaid in instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. MRP will be charged at a rate in line with the life of the assets funded by the loan.

MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum MRP, VRP or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose any cumulative overpayment made each year.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the council. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2023, and the position as at 30 September 2023, are shown below for both borrowing and investments.

TREASURY PORTFOLIO (provisional)				
	Actual 31 March 2023	**Actual 31 March 2023**	**Actual 30 Sept 2023**	**Actual 30 Sept 2023**
Treasury Investments	**£m**	**%**	**£m**	**%**
Banks	6.085	10.04	6.285	11.34%
Money Market Funds	53.512	88.31	48.156	86.86%
Bond Funds	1.002	1.65	1.000	1.80%
Total (all managed in-house)	**60.599**	**100.00**	**55.441**	**100.00**
Treasury External Borrowing				
PWLB	15.382	77.37	15.218	77.18
LOBOs	4.500	22.63	4.500	22.82
Total	**19.882**	**100.00**	**19.718**	**100.00**
Net treasury investments / (borrowing)	**40.717**		**35.723**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	**2022/23 Provisional Actual**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
External Debt					
Debt at 1 April	20.216	19.882	77.317	86.273	98.952
Expected change in Debt	(0.334)	57.435	8.956	12.679	4.501
Other long-term liabilities (OLTL) at 1 April	1.136	0.767	0.568	12.568	12.223
Expected change in OLTL*	(0.369)	(0.199)	12.000	(0.345)	0.000
Gross debt at 31 March	**20.649**	**77.885**	**98.841**	**111.175**	**115.676**
The Capital Financing Requirement*	52.234	78.318	99.222	111.865	116.322
Under / (over) borrowing	**31.585**	**0.433**	**0.381**	**0.690**	**0.646**

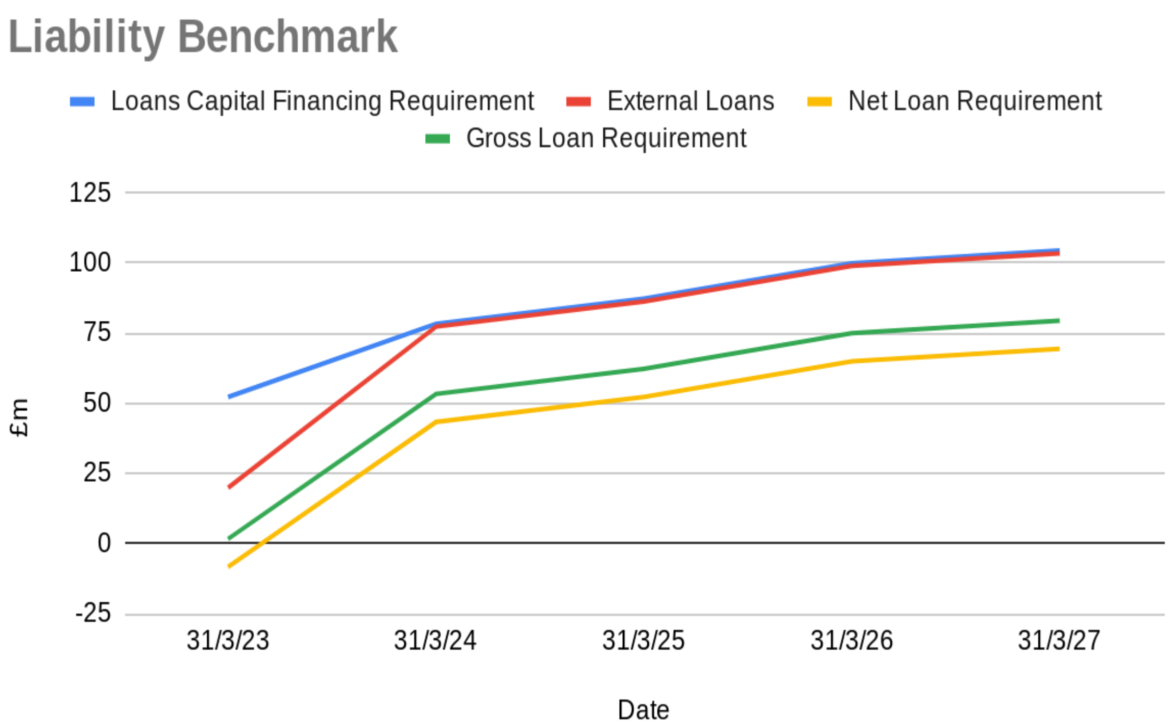
**2024/25 includes an estimate for the recognition of leases under International Financial Reporting Standard 16 (IFRS 16).*

Within the range of prudential indicators there are a number of key indicators to ensure that the council operates its activities within well defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Section 151 Officer reports that the council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.1.1 Liability Benchmark

The chart below shows the council's maximum loan position (Loans Capital Financing Requirement), the council's budgeted loan position (External Loans), the council's projected loan position if all treasury balances were used in place of external borrowing (Net Loan Requirement) and the Net Loan Requirement with the addition of a £10m treasury balance buffer to reflect that the council seeks to maintain liquid short term deposits of at least £10m available with a week's notice as per this report (Gross Loan Requirement).



As can be seen, External Loans are projected to approach the Loans CFR in future years, ensuring that external loan balances and interest are factored into budgets.

However, the council will continue to explore and utilise internal borrowing opportunities as appropriate to reduce its net interest cost.

3.2 Treasury Indicators: 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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	96.000	101.500	113.500	118.500
Other long term liabilities (incl leases)	10.000	35.000	35.000	35.000
Total	106.000	136.500	148.500	153.500

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.

1. 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 councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The council is asked to approve the following authorised limit:

Authorised limit £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	101.000	106.500	118.500	123.500
Other long term liabilities (incl leases)	15.000	45.000	45.000	45.000
Total	116.000	151.500	163.500	168.500

Composition of Operational Boundary and Authorised Limit

Debt (in both the Operational Boundary and Authorised Limit above) for 2023/24 onwards includes:

a) an uplift for capital expenditure being incurred in advance of generating capital receipts to fund this expenditure (£4m uplift in 2023/24 and £3.5m uplift in later years) although, for clarity, any such expenditure is not limited to £4m/£3.5m. As this is anticipated to be a relatively short-term timing difference it has not been reflected elsewhere in this report. Potential examples of such projects include Office Accommodation and Public Toilet Refurbishment.

b) a £5m uplift to provide additional capacity for any non-treasury investments that the council may pursue. For clarity, any such investments are not limited to £5m and are in addition to any such amounts already included within the capital and treasury estimates. This has not been reflected elsewhere in this report, pending the formulation and approval of any such items.

Other long term liabilities (in both the Operational Boundary and Authorised Limit above) includes an estimate for the recognition of leases under International Financial Reporting Standard 16 (IFRS 16) from April 2024. Once full details are known, the Operational Boundary and/or Authorised Limit may need to be revised for approval.

3.3 Link's economic and interest rate forecast (issued by Link on [date])

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 [date]. These are forecasts for certainty rates, gilt yields plus 80 basis points.

[Link forecast to be inserted]

Further details are provided in annex 6.

3.4 Borrowing strategy

The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure.

[Link update to be inserted]

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates*, then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than those currently forecast* then the portfolio position will be re-appraised. For example, fixed rate funding could be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Policy on 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.

Borrowing in advance will be made within the constraints that:

- The authority would not look to borrow more than 18 months in advance of need.

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.

3.6 Debt rescheduling

[Link update to be inserted]

If rescheduling were done, it will be reported to Cabinet at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still be given to sourcing funding from the following sources:

- Local authorities
- Financial institutions (primarily insurance companies and pension funds but also some banks, including forward dates)
- Municipal Bonds Agency
- Other sources of government funding (such as the UK Infrastructure Bank and Salix Finance for example).

3.8 Approved Sources of Long and Short term Borrowing

The council may make use of borrowing from internal sources, PWLB, local authorities, financial institutions, the Municipal Bonds Agency, and/or other sources of government funding as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy - management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments (as managed by the treasury management team). Non-financial investments are covered in the Capital Strategy and Non-Treasury Investments Report (separate annexed reports).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in annex 2 under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year (or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year).

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments at £5m (see paragraphs 4.2, 4.3 and 4.4).

6. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. This authority will set a limit for the amount of its investments which are invested for maturities **longer than 365 days** (see paragraphs 4.2 and 4.4).

8. This authority will set a limit for the amount of its investments which are invested in **longer-term instruments with no fixed maturity date** (see paragraphs 4.2 and 4.4).

9. Investments will only be placed with counterparties from foreign countries which have a specified minimum **sovereign rating**, (see paragraph 4.3). This does not apply to pooled investment vehicles.

10. This authority has engaged **external consultants**, (see paragraph 1.5) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. [Link update to be inserted]

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

4.2 Creditworthiness policy

The primary principle governing the council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the council's prudential indicators covering the maximum principal sums invested.

The Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum council criteria may be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality **–** the council will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AA-

  and have, as a minimum, the following credit rating from at least one of Fitch, Moody’s and Standard and Poors (where rated):
  - i. Short term – F1 (or equivalent)
  - ii. Long term – A- (or equivalent)
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland Group ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the above criteria.
- Banks 3 – The council’s own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operations: If separately rated, the council will use those that meet the ratings/criteria for banks outlined above. If not separately rated, the council will use these where the parent bank has the necessary ratings/criteria outlined above.
- Building societies: The council will use all societies which meet the ratings/criteria for banks outlined above.
- Money market funds, enhanced money market funds, bond funds – AAA
- UK Government (including gilts, treasury bills and the DMADF)
- Local authorities, parish councils, community councils, companies controlled by the council (either alone or with other public sector organisations) etc
- Housing associations
- Supranational institutions

- Multi-asset funds

A limit of £5m will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long Term Rating (or equivalent)*	Money Limit	Time Limit (settlement period)
Level 1	**AA-**	**£6m per institution**	**370 days**
Level 2	**A**	**£5m per institution**	**370 days**
Level 3	**A-**	**£4m per institution**	**185 days**
Part nationalised	**N/A**	**£7m per institution**	**370 days**
UK Government (including gilts, treasury bills and the Debt Management Account Deposit Facility)	**UK sovereign rating**	**unlimited**	**2 years**
Money market funds, enhanced money market funds, bond funds	**AAA**	**£6m per fund**	**370 days**

Local authorities, parish councils, community councils, companies controlled by the council (either alone or with other public sector organisations), housing associations, supranational institutions etc	**N/A**	**£4m per institution**	**5 years**
Multi-asset funds	**N/A**	**£5m per fund**	**370 days**

**The institution must have this minimum credit rating from at least one of Fitch, Moody's, and Standard and Poors (where rated).*

The proposed criteria for specified and non-specified investments are shown in Annex 2 for approval.

Creditworthiness
[Link update to be inserted]

CDS prices
[Link update to be inserted]

Link monitors CDS prices as part of its creditworthiness service to local authorities and the council has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The council has determined that it will limit the maximum total exposure to non-specified investments at £5m.

b) **Country limit.** The council has determined that it will only use approved counterparties from the UK (irrespective of the UK sovereign credit rating) or other countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than £5m will be placed with any non-UK country at any time (this limit applies to each non-UK country individually and not to non-UK countries in total);
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

The above restrictions do not apply to pooled investment vehicles (including multi-asset funds (apart from the non-specified investment limit), money market funds, enhanced money market funds and bond funds). The council only invests in sterling denominated pooled investment vehicles.

4.4 Investment strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. [Link update to be inserted]

While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Link's investment returns expectations (issued by Link on [date]):

[Link forecast to be inserted]

Investment treasury indicator and limit - total principal funds invested for maturities greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The council is asked to approve the following treasury indicator and limit: -

Upper limit for principal sums invested for maturities longer than 365 days			
£m	**2023/24**	**2024/25**	**2025/26**
Principal sums invested for maturities longer than 365 days	£5m	£5m	£5m

Investments as at 31 September 2023 invested for maturities longer than 365 days were £nil.

For its cash flow generated balances, the council will seek to utilise its instant access and notice accounts, pooled investment vehicles and term deposits in order to benefit from the compounding of interest.

Investment treasury indicator and limit - longer term treasury management investments. Longer term instruments with no fixed maturity date include pooled bond, equity and property funds (but not money market funds), as well as directly held equities.

The council has determined that it will limit the maximum total exposure to longer term treasury management investments at £5m.

Investments made in longer term treasury management investments as at 31 September 2023 were £1m (in a bond fund). Despite this categorization for TMSS purposes, this bond fund is still held for cash flow purposes given that it seeks to maintain liquidity with a low level of capital volatility and has a settlement period of two days.

4.5 Investment performance / risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

Security - The council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio (excluding unrated investments).

Liquidity – in respect of this area the council seeks to maintain:

- Liquid short term deposits of at least £10m available with a week's notice.
- Weighted average life benchmark is expected to be in the range of 0 to 1 years, with a maximum of 5 years.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day SONIA compounded rate.

And in addition that the security benchmark for each individual year is (excluding unrated investments):

	1 year	2 years	3 years	4 years	5 years
Maximum	**0.05%**	**0.05%**	**0.05%**	**0.05%**	**0.05%**

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report

At the end of the financial year, the council will report on its investment activity as part of its Annual Treasury Report.

4.7 Use of external fund managers

Except for pooled funds, it is the council's policy not to use external fund managers for any part of its investment portfolio.

The council may use pooled investment vehicles and fully appreciates the importance of monitoring the activity and resultant performance of such investments. In order to aid this assessment, the council is provided with a suite of regular reporting from its providers.

4.8 Ethical treasury and capital investing

Although investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt the principles of security, liquidity and yield (in that order) the council is committed to ethical high standards and declared a climate emergency on 1 July 2019; doing what is within its power to become carbon neutral by 2030 within its estates and activities. This includes establishing a Climate Emergency Cabinet Advisory Group to drive the production of an Energy and Low Emissions Strategy and action plan (linked with the Kent Energy and Low Emission Strategy) and a Council Tree and Biodiversity Strategy (to address both climate change and the ecological emergency).

Environmental, Social and Governance (ESG) metrics are incorporated into the credit rating agency assessments which the council uses in its investment strategy.

Typical ESG considerations are shown below.

Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.

Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.

Governance: Management structure, governance structure, group structure, financial transparency.

Through its treasury agency service provider, the council has access to Sustainable Deposits (with investments referenced against the United Nations Sustainable Development Goals) and utilises these deposits from time to time subject to its requirements for security, liquidity and yield.

The council’s capital plans include the estimated cost of replacing its diesel powered vehicles and equipment with electric equivalents, where practical to do so, on a phased basis. These capital plans also include the estimated cost of associated infrastructure requirements (such as charging points).

5 COMMERCIAL INVESTMENTS

The council's Non-Treasury Investments Report 2024/25 (Annex 5) stipulates that, for a new non-treasury investment in a new asset, the council may only purchase property, make investments and/or make loans for service purposes (i.e. not for purely/primarily commercial purposes, though it may still generate revenue).

If a local authority is planning to acquire investment assets bought primarily for yield then it is now unable to borrow from the PWLB to finance any expenditure in its capital plan.

6 OPTIONS

6.1 That the Governance & Audit Committee:

a) Notes, and makes comments on as appropriate, this report and annexes, including each of the key elements listed below.

- The Capital Plans, Prudential Indicators and Limits for 2024/25 to 2026/27, including the Authorised Limit Prudential Indicator.
- The Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy for 2024/25 to 2026/27 and the Treasury Indicators.
- The Investment Strategy for 2024/25 contained in the Treasury Management Strategy, including the detailed criteria.
- The Capital Strategy for 2024/25.
- The Non-Treasury Investments Report for 2024/25.

b) Recommends this report and annexes, including each of the key elements listed above, to council for approval.

6.2 Does not approve this report and annexes (advising the reason(s) why); thereby not complying with the Treasury Management Code of Practice.

7 Next Steps

7.1 This report is to go to the 11 January 2024 Cabinet meeting, and then to the 8 February 2024 council meeting for approval.

8 DISCLAIMER

This report (including its annexes) is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer: Chris Blundell, Director of Corporate Services & Section 151 Officer
Reporting to: Colin Carmichael, Interim Chief Executive

Annex List

Annex 1: The Capital Prudential and Treasury Indicators 2022/23 – 2026/27
Annex 2: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Annex 3: Guidance on Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy (TMSS)
Annex 4: Capital Strategy 2024/25
Annex 5: Non-Treasury Investments Report 2024/25
Annex 6: Link's Economic and Interest Rate Forecast (issued by Link on [date])

Corporate Consultation Undertaken

Finance: N/A
Legal: Sameera Khan, Interim Head of Legal & Monitoring Officer

ANNEX 1 - THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2026/27

The council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

1. **Capital expenditure**

Capital expenditure £m	2022/23 Provisional Actual	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
General Fund	12.054	26.640	52.625	20.250	6.493
HRA	4.123	34.095	25.008	18.430	11.870
Total	**16.177**	**60.735**	**77.633**	**38.680**	**18.363**

2. **Affordability prudential indicators**

The previous section covers the overall capital and control of borrowing prudential indicators but, within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the council's overall finances. The council is asked to approve the following indicators:

a. **Ratio of financing costs to net revenue stream** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2022/23 Provisional Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	4.9	5.6	15.6	19.4	22.6
HRA	2.2	3.5	14.4	17.1	17.8

The estimates of financing costs include current commitments and the proposals in this budget report.

b. **HRA ratios**

	2022/23 Provisional Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt £m	12.587	49.631	54.995	59.305	63.572
HRA rents £m	13.019	15.143	17.566	17.863	18.591
Ratio of debt to rents %	96.7	327.8	313.1	332.0	342.0

£	2022/23	2023/24	2024/25	2025/26	2026/27

	Provisional Actual	Estimate	Estimate	Estimate	Estimate
HRA debt £m	12.587	49.631	54.995	59.305	63.572
Number of HRA dwellings	3,053	3,100	3,212	3,324	3,437
Debt per dwelling £	4,123	16,010	17,122	17,841	18,496

3. Maturity structure of borrowing

These gross limits are set to reduce the council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to under 2 years	0%	50%
2 years to under 5 years	0%	50%
5 years to under 10 years	0%	50%
10 years to under 20 years	0%	50%
20 years to under 30 years	0%	50%
30 years to under 40 years	0%	50%
40 years to under 50 years	0%	50%
50 years and above	0%	50%

Maturity structure of variable interest rate borrowing 2024/25		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to under 2 years	0%	50%
2 years to under 5 years	0%	50%
5 years to under 10 years	0%	50%
10 years to under 20 years	0%	50%
20 years to under 30 years	0%	50%
30 years to under 40 years	0%	50%
40 years to under 50 years	0%	50%
50 years and above	0%	50%

4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4 of the main report.

5. Ratio of investment property net income to net revenue stream This indicator identifies the trend in the relative significance of investment property income.

%	2022/23	2023/24	2024/25	2025/26	2026/27

	Provisional Actual	Estimate	Estimate	Estimate	Estimate
General Fund	5.7	5.7	5.5	5.5	5.5

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ANNEX 2 - TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This council adopts the Code and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of the annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the council will use. These are high security (i.e. high credit rating, although this is defined by the council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments - These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the council has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under 12 months.These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. Local authorities, housing associations, parish councils, community councils, companies controlled by the council (either alone or with other public sector organisations) etc.
4. Money market funds, enhanced money market funds and bond funds that have been awarded a high credit rating by a credit rating agency. This covers pooled investment

vehicles rated AAA by Standard and Poor's, Moody's and/or Fitch rating agencies (where rated).

5. A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum short term rating of F1 (or the equivalent) and minimum long term rating of A- (or the equivalent) as rated by at least one of Standard and Poor's, Moody's and/or Fitch rating agencies (where rated).
6. Any part nationalised UK bank or building society.
7. Any subsidiary and treasury operations that meet the above criteria or, if not separately rated, where the parent bank or building society has the necessary ratings outlined above.
8. The council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.

Within these bodies, and in accordance with the Code, the council has set additional criteria to set the time and amount of monies which will be invested in these bodies, as set out in the council's annual investment strategy.

Non-specified investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). The council may only use the following non-specified investments:

1. Those with a maturity of no more than 5 years and which otherwise meet the above criteria for specified investments.

2. Multi-asset funds.

The council has applied a limit of £5m for non-specified investments.

The monitoring of investment counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers: Except for pooled funds, it is the council's policy not to use external fund managers for any part of its investment portfolio. The council may use pooled investment vehicles and fully appreciates the importance of monitoring the activity and resultant performance of such investments. In order to aid this assessment, the council is provided with a suite of regular reporting from its providers.

ANNEX 3 - GUIDANCE ON TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY (TMSS)

Prudential Code

The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice for capital finance, to which local authorities must have regard.

Capital Expenditure

The Capital Expenditure table (section 2.1 of report) is split between the Council's Housing Revenue Account (HRA) and General Fund (GF or non-HRA).

The table also shows the resources used to fund the capital expenditure (being capital receipts from the sale of assets, capital grants, capital reserves and revenue) and any shortfall in resources. This shortfall is described as the 'net financing need' and represents the Council's borrowing need.

Borrowing Need (Capital Financing Requirement)

The Capital Financing Requirement (CFR) represents the Council's aggregate borrowing need. i.e. the element of the capital programme that cannot be funded.

The table (section 2.2 of report) shows how the net financing need (borrowing requirement) increases the CFR.

So that the CFR does not increase indefinitely, an annual resource contribution from revenue must be set against it (called the Minimum Revenue Provision or MRP), which is shown in the table.

Core Funds and Expected Investment Balances

This table (section 2.3 of report) shows that the Council may satisfy its net financing need by borrowing from its own reserves or cashflow (internal borrowing) rather than from an external provider (external borrowing).

Either form of borrowing may only be undertaken for capital expenditure purposes.

MRP Policy Statement

This describes the method for calculating the annual MRP contribution described above (section 2.4 of report).

Borrowing

Current portfolio position – this table (section 3.1 of report) shows that the Council's debt is not more than the CFR because, as above, the CFR represents the Council's aggregate borrowing need.

Borrowing limits (section 3.2 and annex 1 of report) – there are various general controls on the Council's borrowing activity (operational boundary, authorised limit and maturity profiles).

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

Basis Points

The report may refer to basis points, which is a unit of measure for interest rates. 1 basis point is equal to 0.01%, so 100 basis points is 1%.

Annual Investment Strategy

This section (section 4 of report) sets out general controls on the Council's investment activity to safeguard the security and liquidity of its investments, including:

- Creditworthiness of investment counterparties.
- Counterparty money limits.
- Counterparty time limits.
- Counterparty country limits.

Ratio of Financing Costs to Net Revenue Stream

This table (annex 1 of report) shows (separately for HRA and GF) the percentage of the Council's revenue stream that is used to finance the CFR (net interest payable and MRP).

Ratio of Investment Property Net Income to Net Revenue Stream

This table (annex 1 of report) shows the relative size of the Council's income from investment property.

ANNEX 4: THANET DISTRICT COUNCIL - CAPITAL STRATEGY 2024/25

1. Background

It is a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities that local authorities produce a Capital Strategy for consideration and approval by Members.

The Capital Strategy forms part of this council's integrated revenue, capital and balance sheet planning. Capital expenditure and associated investment decisions are taken in-line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. Due consideration is given to both risk and reward, and impact on the achievement of priority outcomes.

2. Priorities and Objectives

Like most councils, this council has capital expenditure needs that far exceed its potential capital resources, particularly given public sector funding cuts and resource pressures.

Accordingly, this council's Capital Protocol is that financial resources and assets are used to their maximum effect, and that Financial Procedure Rules and Contract Standing Orders are adhered to, with the following objectives:

a) Corporate Plan/council priorities, including any environmental impact, are considered when prioritising limited resources (see section 3 below).

b) All financial implications arising from the project are identified (e.g. match funding requirements and ongoing unsupported revenue costs etc.).

c) The correct authorisation is obtained to enter into an agreement for capital expenditure.

d) The project progresses as approved and within budget. Any further budget approvals will be sought at the earliest opportunity if it becomes apparent that further funding is needed.

e) Monitoring takes place in a timely manner, with frequency and detail determined by the risks associated with the capital scheme.

f) All expenditure is properly procured, incurred and recorded.

g) The achievement of all project outcomes, outputs and results are assessed as part of post project completion evaluation.

h) There is a documented audit trail for all expenditure and income relating to the project.

i) Issues that may affect project delivery are identified and considered appropriately (e.g. legal, VAT and capacity issues).

j) Any significant changes to the project are considered in the overall prioritisation of the capital programme and the correct authorisation is obtained.

3. Corporate Priorities and Values

The council will use its corporate priorities to help prioritise its investment in, and disposal of, assets. The current corporate priorities are:

> **Growth**: We will continue to ensure we work to consider new ways to generate income and invest our current resources. Delivering a Council that is financially strong to discharge its services and invest in the growth of the District.
>
> **Environment**: Having a clean and well-maintained environment remains important to us. We will be clear with our residents on what we will do and what our asks of residents are - cultivating a shared responsibility approach. Delivering a clean and accessible living environment, maintaining an emphasis on prevention but where necessary we will use an enforcement approach.
>
> **Communities**: Through effective partnership working with both the public sector agencies and the community, we will provide leadership and direction across the district and the region to ensure everyone is working to the same goal. Delivering high-quality housing, safer communities and enhancing the health and wellbeing of our residents.

4. Revenue Implications

As per section 2b, council rules require that all financial implications arising from a capital project are identified, including revenue implications which can include:

a) The cost of borrowing (the revenue provisions for the repayment of debt and interest charges).

b) Loss of investment income from capital receipts and/or reserve balances.

c) Running costs associated with the project.

d) The positive impact of investment and economic growth on the council's tax base and business rates income.

e) The generation of additional revenue streams for the council.

f) The utilisation and attribution of staff time and resources to capital projects including, but not limited to, the need to back-fill officer time attributed to capital schemes.

5. Focussing the capital programme on delivering the council's priorities

The capital programme demands significant resources which, if not managed effectively, can actually impede what the council is looking to deliver. The Capital Strategy is to pay particular attention to better aligning the capital programme to the council's corporate values and priorities.

In particular:

<u>Slippage</u>
Slippage will not be an acceptable norm. Capital schemes will be at risk of having their council funding re-directed should there be delays that cannot be substantiated (schemes that are externally funded may require more flexibility however). As such, schemes will be

profiled accurately so that annual capital budgets reflect the reality of capital scheme delivery. Accordingly, the funding allocated to schemes that are significantly underspent at year-end will be considered for redistribution or returned for savings.

<u>Best use of our Assets</u>
Assumptions that a council owned asset should be invested in or disposed of will be challenged - consideration of whether that asset could be better utilised will need to be evaluated and demonstrated.

<u>Revenue Generation</u>
Opportunities for revenue generation should be explored. Subject to (a) being able to stabilise its financial position, and (b) risk considerations, the council should consider investing in a wider choice of assets that can generate better returns/outcomes. More information is given in the council's Non-Treasury Investments Report.

The Corporate Management Team (CMT) will be taking the lead on achieving the focus the capital programme requires and may, at its discretion, delegate some or all of this work to a sub-team whose membership includes at least one CMT member (the Capital Team).

6. Assessing and Monitoring Schemes

Officer arrangements for assessing and monitoring capital schemes is overseen by CMT (which includes the council's Section 151 Officer) and its Capital Team sub-group. The role of CMT in this regard is:

a) To coordinate all aspects of the council's Capital Programme including the assessment of bids, preparation of the programme, monitoring and post audit reviews.

b) To review annually the capital assessment and prioritisation methodology (see section 3 above).

c) To evaluate and prioritise all projects submitted according to the council's prioritisation methodology.

d) To produce a capital programme based upon the prioritised scoring methodology .

e) To monitor capital schemes and to summarise all variation reports received by client officers.

f) To consider requests for capital bids during the year and, where the request is considered urgent, to score and prioritise within the whole programme, together with making funding arrangements.

g) To review the scheme evaluation reviews and ensure lessons learnt and where necessary to amend the Capital Protocol.

h) To review all capital slippage and underspends at financial year end and re-evaluate with regards to the council's priorities and resources.

As per section 5, CMT may, at its discretion, delegate some or all of this work to a sub-team whose membership includes at least one CMT member (the Capital Team).

The criteria for capital bids include:

a) Meeting Corporate Priorities or requiring Health and Safety action.

b) Not having a revenue impact that cannot be funded.

c) Being clear as to the benefits the project provides.

d) Identifying how the project will be managed.

e) Having robust estimates for future costs and revenues.

f) The sensitivity of costs and revenues to both external and internal risks.

On the basis of recommendations drawn up by CMT and/or the Capital Team, Cabinet considers and approves the proposed draft capital programme for inclusion within the budget. This budget is then recommended to full council for approval of the final capital budgets for the year ahead. Cabinet is to receive regular capital budget monitoring reports and a final outturn report at year end showing scheme performance; specifically underspends, overspends and slippage supported by explanations.

7. Additional Resources and Links with External Bodies

Project appraisals consider additional and alternative funding sources, match funding requirements, bidding time frames and the likely success in being awarded grants.

Grants are allocated in relation to specific programmes or projects and this council aims to maximise such funding; developing appropriate partnership, joint working and cross agency initiatives to address council priority needs. Partners include central and local government, government agencies, representative bodies of the local community, voluntary groups, housing associations, health bodies, the police, and the private sector business community.

8. Asset Management

An Asset Management Plan is the report on the systematic preparation of information to optimise the deployment and utilisation of land, buildings and other assets. Accordingly the council’s Asset Management Plan informs the links to both the council’s capital strategy and capital programme.

9. The council’s capital spending

Details of the Council’s capital programme, capitalisation policies, capital financing, borrowing/funding restrictions, knowledge and skills, long-term liabilities and treasury management are shown in the following documents (which are all available on the Council’s website www.thanet.gov.uk):

a) Medium Term Financial Strategy

b) Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy

c) Statement of Accounts

d) Non-Treasury Investments Report

e) Budget monitoring reports

The council's Section 151 Officer is satisfied with the affordability and risk associated with this Capital Strategy, that the knowledge and skills available to the authority are commensurate with its risk appetite and activities and, where appropriate, it has access to specialised advice to enable him to reach this conclusion.

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ANNEX 5: THANET DISTRICT COUNCIL - NON-TREASURY INVESTMENTS REPORT 2024/25

1. Background

This Non-Treasury Investments Report is produced in connection with the CIPFA Treasury Management in the Public Services Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities.

'Treasury management investments' activity covers those investments which arise from the council's cash flows and debt management activity, and ultimately represents balances which need to be invested until the cash is required for use in the course of business. The council's permitted treasury investments are set out in the Annual Investment Strategy.

'Non-treasury investments' are investments in financial assets and property primarily for service purposes and/or financial return that are not part of treasury management activity.

2. Permissible non-treasury investments

As per Non-Treasury Investments Reports to 30 March 2022, this council could:

a) purchase property for service and/or commercial purposes.

b) make investments for service and/or commercial purposes.

c) make loans for service and/or commercial purposes.

This was amended from 1 April 2022 so that, for a new non-treasury investment in a new asset, the council may only purchase property, make investments and/or make loans for service purposes (i.e. not for purely/primarily commercial purposes, though it may still generate revenue).

Service investments are held in relation to council services (including service delivery, housing, regeneration and preventative action) whereas commercial investments are held for mainly financial reasons.

If a local authority is planning to acquire investment assets bought primarily for yield then it is now unable to borrow from the Public Works Loan Board (PWLB) to finance any expenditure in its capital plan. PWLB guidance is that investment assets bought primarily for yield would usually have one or more of the following characteristics:

i) buying land or existing buildings to let out at market rate.

ii) buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification.

iii) buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly.

iv) buying a speculative investment asset (including both financial and non-financial assets) that generates yield without a direct policy purpose.

3. Existing non-treasury investments

This council's existing non-treasury investments include:

a) Investment Property

The council's 2022/23 draft accounts show a 31 March 2023 balance sheet value of £25.288m for investment property. These accounts give a net yield of £1.182m from investment property (rental income less direct operating expenses), which represents an annual percentage yield of 4.7%. It is considered that any plausible losses from the council's investment property could be absorbed in budgets or reserves without unmanageable detriment to local services.

As at 31 March 2023 the council had approximately 200 investment properties of various types with an average balance sheet value of £126,000 per unit; including retail premises, leisure and sporting facilities, maritime related assets, land and industrial units.

The council undertakes periodic reviews of its property, including evaluation of whether to meet expected borrowing needs by taking new borrowing or by property disposal.

b) Investments and Loans

Your Leisure Kent Limited (YL): This council engages YL, which is an Industrial and Provident Society with charitable status, to run its leisure facilities. YL was registered on the Mutuals Public Register on 16 April 1999 and was called Thanet Leisure Force Limited until 26 March 2013. The principal activity of YL is the management of leisure, hospitality and entertainment facilities and associated service provision for the local communities in the Dover and Thanet districts.

East Kent Opportunities LLP (EKO): To aid economic development and regeneration in Thanet, this council in partnership with Kent County Council set up EKO as a limited liability partnership. EKO was incorporated on 4 March 2008 with this Council and Kent County Council having 50:50 ownership, control and economic participation in EKO.

The council acts as guarantor for YL in respect of certain loans taken out by YL. These arrangements are described in the 'Critical Judgements in applying Accounting Policies' note to the council's Statement of Accounts.

In addition, the council makes loans from time to time to one or both of YL and EKO for service purposes.

4. Investment Management Practices

Non-treasury investments are subject to the council's normal approval processes for revenue and capital expenditure and need not comply with the specific requirements of the council's annual Treasury Management Strategy Statement and Investment Strategy. These processes ensure effective due diligence and consideration of the council's risk appetite (including proportionality in respect of overall resources), that independent and expert advice is taken where appropriate, that scrutiny arrangements are properly made, and that ongoing risk management is properly undertaken and acted upon.

Details of risk management, performance measurement and management, decision making, governance, due diligence, reporting and knowledge and skills are shown below and in the following documents (which are all available on the council's website www.thanet.gov.uk):

a) Medium Term Financial Strategy
b) Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy
c) Statement of Accounts
d) Capital Strategy

The key principle of control of risk, and optimising returns consistent with the council's risk appetite, is applied across all investment activities.

5. Risk Management

The council's risk appetite for any non-treasury investment should be clearly determined, both individually and collectively, including the potential impact on the overall sustainability of the council if the investment does not perform as intended. Key considerations also include:

a) The significance of the amount and variability of both the investment income and capital value to balancing the council's budget.
b) How the investment is financed and its liquidity, given the council's cash flow requirements.
c) Maximum periods for which funds may prudently be committed.
d) The setting of quantitative indicators to better assess risk exposure (including how investments are funded and the rate of return over both the payback period of the investment and the length of any associated borrowing).

6. Performance Measurement and Management

Performance measurement and management of any non-treasury investment should include both the ongoing capital value/security and yield. Key considerations include:

a) Regular fair value assessments (at least annually), including the limitations and assumptions inherent in such assessments.
b) Procedures to highlight key ongoing risks and changes in market conditions that may adversely impact the security, liquidity and/or yield of any investment.
c) Ongoing repairs and other costs to maintain the income and value of any property investment.
d) Any mitigating action required and undertaken to protect the income and value of any investment.

7. Decision Making, Governance and Due Diligence

Decision making will be as open and transparent as possible. Key considerations include:

a) The formulation and developments of business cases for approval.
b) Enhanced decision making and scrutiny, according to risk.
c) Arrangements for professional due diligence, including obtaining professional advice where appropriate.
d) The identification and quantification of any implied material subsidies in investments for service/regeneration purposes.

8. Reporting, Knowledge and Skills

Robust arrangements will be made for the assessment, implementation and monitoring of any non-treasury investments; including:

a) Reporting any material increase in risk to capital and/or yield.
b) Regularly reviewing performance and risk reporting arrangements.
c) Ensuring that the range of skills required (including finance, property and economic regeneration) are available, either in-house or externally sourced.
d) Arranging any specific staff training or qualifications that may be needed to meet future requirements (capacity, skills, knowledge and culture).

ANNEX 6 - LINK'S ECONOMIC AND INTEREST RATE FORECAST (ISSUED BY LINK ON [DATE])

1. 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 [date]. These are forecasts for certainty rates, gilt yields plus 80 bps.

[Link forecast to be inserted]

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CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee	29th November 2023
Report Author	Chris Blundell, Director of Corporate Services and Section 151 Officer
Portfolio Holder	Councillor Rob Yates, Portfolio Holder for Corporate Services
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report provides the Governance & Audit Committee with a quarterly review of corporate risks.

Recommendation(s):

To approve the review of corporate risks and discuss annexed risks

Corporate Implications

Financial and Value for Money

The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this report.

It is the role and responsibility of the Section 151 Office to have active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.

Legal

Whilst the corporate risk register includes consideration of legal matters in as far as they relate to risks to the council, there are no legal implications for the recommendation required by this report.

Risk Management

As detailed in the body of this report.

Corporate

Governance & Audit Committee approved the revised Risk Management Strategy on 27 July 2022, which includes a requirement to provide regular corporate risk updates to G&A Committee.

Equalities Act 2010 & Public Sector Equality Duty

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration has been given to the equalities impact that may be brought upon communities by the decisions made by council

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities.

1. Introduction

1.1. The Council monitors and manages its Corporate Risks through the Corporate Risk Register. The contents of the report highlight the high-priority corporate risks and show the arrangements in place to ensure these risks are monitored and managed appropriately. The Council is dedicated to a proactive methodology on Risk Management and interdepartmental cooperation on Risk Strategy to drive an improved and synergetic risk model and landscape.

2. Background and Current Progress

2.1. The strategy defines corporate risks as *'those which could impact across the whole council'*. Operational risks are identified from the 'bottom up', through service planning for the year ahead and through continuous review during the year. Operational risks may be escalated and considered Corporate level risks depending on the evaluation of the risk and through engagement with Senior Management.

2.2. The strategy prescribes that these risks should be assessed by the Corporate Management Team (CMT) and the Member Risk Management Champion and then reported to the Governance and Audit Committee (G&A) on a regular basis.

2.3. The Risk Management Strategy 2022 was approved at the G&A committee on the 27 July 2022. Consequently, the council is in the process of transitioning to operating under the new risk management strategy and our associated new way of monitoring, evaluating and reporting risk. Substantial progress has been made during this risk reporting cycle, with nearly all of the service areas responding, representing a significant improvement on the previous reporting cycles.

2.4. As such, it is now possible to report our Corporate Risks to the committee in accordance with our updated Risk Management Strategy, This is most notably demonstrated in Annex 1, with the presentation of risks through the lens of Current / Emerging / Future risks from all service areas and their scoring which aligns to the risk matrix.

2.5. Future work is being undertaken in subsequent reporting to the committee to apply this framework to the High Scoring Corporate Risks shown at section 4 and also the addition of graphical illustration and tracking of risk scores once this methodology has been established.

3. Risk, Risk Management and Responsibilities

3.1. **What is risk -** Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.

3.2. **Risk Management -**

Risk can be a threat (downside) or an opportunity (upside)

3.3. **Responsibilities**

A local authority's purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. The delivery of these objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

3.4. **What is risk management -** Risk Management was defined by the Audit Commission as:

*'Risk Management is the process by which risks are **identified, evaluated and controlled**. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements'*

(Audit Commission)

The Government's Orange Book on risk management also states that:

Risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.

Each public sector organisation should establish governance arrangements appropriate to its business, scale and culture
(Source Orange Book - Gov.co.uk)

3.5. Risk Evaluation

3.6. Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing risks and then responding to them. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the “risk appetite”.

3.7. The likelihood of a risk occurring is evaluated against the following criteria:

3.8. The possible impact on the council should the risk occur is then assessed across a range of categories. The risk score is determined by the highest scoring possible outcome against any of the risk headings

Rating	Score	Likelihood
Very Likely	4	● More than 85% chance of occurrence ● Regular occurrence ● Circumstances frequently encountered
Likely	3	● More than 65% chance of occurrence ● Likely to occur within next 12 months ● Circumstances have been encountered
Unlikely	2	● 31%-65% chance of occurrence ● Likely to happen within next 2 years ● Circumstances occasionally encountered
Rare	1	● Less than 30% chance of occurrence ● Circumstances rarely encountered or never encountered before

Impact

Headings	Reputation	Strategic	Wellbeing	Service Delivery	Finance	Compliance
4 Severe	Council receives nationally adverse publicity perceived as failing in a significant area of responsibility	Failure to deliver council priorities / services / major corporate project	Significant staff dissatisfaction / long term absence / increased staff turnover including key personnel	Loss of service for a significant period	Financial loss or overspend greater than £500k	Breach of law leading to some sanction Litigation almost certain with some / minimal defence
3 Significant	Significant adverse local publicity	Possible impact on the delivery of council priorities	Declining staff dissatisfaction / loss of staff due to absence or turnover	Reduction in service performance / service disruption for 1 – 2 days	Financial loss or overspend between over £250k	Breach of regulation or responsibility or internal standard Litigation possible
2 Moderate	Minor impact on staff morale/public attitudes	Minor / adverse impact on Council priorities	Possible short-term staff dissatisfaction / likely impact on absence and turnover	Poor service / service disruption up to one day	Financial loss or overspend between £50k - £250k	Breach of internal procedur e or policy Complaints likely
1 Minor	Unlikely to cause adverse publicity	No significant impact on the delivery of Council priorities	Loss of staff morale but unlikely to result in absence or turnover of staff	No significant difficulty providing a service or delivery of a project	Financial loss or overspend under £50k	Minor breach of policy or internal procedure Complaints Unlikely

3.9. The overall risk scores are then arrived at by multiplying the "likelihood" score by the "impact" score, where the maximum score for each is four, so the maximum total score is sixteen.

Likelihood	**Very Likely (4)**	**Moderate (4)**	**High (8)**	**Extreme (12)**	**Extreme (16)**
	Likely (3)	**Low (3)**	**Moderate (6)**	**High (9)**	**Extreme (12)**
	Unlikely (2)	**Very low (2)**	**Low (4)**	**Moderate (6)**	**High (8)**
	Rare (1)	**Very low (1)**	**Very low (2)**	**Low (3)**	**Moderate (4)**
		Minor (1)	**Moderate (2)**	**Significant (3)**	**Severe (4)**
	Impact				

3.10. **Roles and responsibilities -** The primary member oversight on risk is provided by the Governance and Audit Committee. Cabinet also has a member Risk Champion (the Leader of the Council and Portfolio Holder for Corporate Performance and Risk) who promotes risk management and its benefits throughout the council.

3.11. At staff level, the high-level corporate risk register is regularly considered by the Corporate Management Team (CMT). G&A Committee considers changes to the corporate risk register, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated.

3.12. The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit Committees (2018) sets out the key principles for audit committees operating in local government.

3.13. The statement sets out the key responsibilities of the committee to include:

> *'consider the **effectiveness** of the authority's **risk management arrangements** and the control environment, reviewing the risk profile of the organisation and*

***assurances that action is being taken** on risk-related issues, including partnerships and collaborations with other organisations'*

3.14. The report seeks to aid the committee to discharge these responsibilities

4. Corporate risk register

4.1. A summary of the highest scoring corporate risks on the register is set out in the table and the following narrative below, together with the comparative scores noted by the Governance & Audit Committee on 26th July 2023

4.2. The scores are arrived at by multiplying the "likelihood" score by the "impact" score, where the maximum score for each is four, so the maximum total score is sixteen.

Description	Sep 23 Score	Nov 23 Score	Change
Cyber Attack	16	16	**No**
Limited Resources	12	12	**No**
Economic Environment	16	16	**No**
Homelessness	16	16	**No**
Berth 4/5	12	12	**No**
Environmental Act 2021	16	16	**No**
EPC requirements	12	4	**Yes**
Net Zero Strategy	16	16	**No**

4.3. Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks.

4.4. It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high.

Highest-scoring risks

4.5. **Cyber Attack (Impact 4, Likelihood 4) Future risk**

Reputation, Service Delivery, Strategic and Financial risk score 4

The Council is becoming more and more aware of cyber attacks across the local government sector.

At a time when some staff are working from home and on a hybrid basis, a much higher reliance on IT systems is needed and therefore the risk of disruption to Council services as a result of a Cyber attack is heightened.

The Council is mitigating the impact of any potential attack by ensuring IT systems are as robust as possible, but as we've seen globally, even the larger international companies are still susceptible to attack.

The Council did consider Cyber insurance as an mitigating action to protect itself against the financial impact that could be caused by such an event. Unfortunately the cyber market is now not conducive to our risk profile.

With that in mind officers have been liaising with our risk management partners through our insurers and are exploring other risk management solutions with them in lieu of Cyber Insurance.

Ransomware is one of the largest digital risks facing the authority and as such it has become increasingly important to protect our data and have readily available access to offline copies. To facilitate this the EKS Head of ICT led a backup replacement project across the partnership, utilising £350,000 funding from the DLUHC to implement the new back up system, which is now in place and live.

The MHCLG made this funding available following post-incident reviews of cyber attacks against local government organisations. During some attacks backups were deleted to prevent their use, making it harder to avoid paying any ransom. Mitigating this change in tactics, for many councils, required a substantial investment in 'Offline' technology. The designed solution will install an identical set of backup appliances in each of three geographic locations.

The security team within EKS ICT continues to monitor vulnerabilities and these are included within the report provided to the Corporate Information Governance Group (CIGG). Compliance tickets are raised and monitored to ensure that out of date devices and software are dealt with.

Regular meetings are held with the EKS Security Team and the council to review security risks and to discuss digital projects and preventative measures to be put in place for the authority.

The ITHC (IT Health Check) has been completed by an external company and they tested devices, external firewalls and external websites. The EKS security team is now reviewing the report. In summary across the partnership there were 51 Critical 157 High, 398 Medium vulnerabilities identified. This is much lower than previous scans where the critical vulnerabilities were in the hundreds. Tickets for the critical vulnerabilities are currently being worked on with the high ones being raised with each individual ICT team.

Work continues working on the vulnerabilities from the ITHC and these have been reduced, the deadline to get the critical and high vulnerabilities completed by the ICT teams by 24th November 2023. The security team will then pull together the remediation plan and to arrange a rescan of the network.

Corporate Risk Lead Officer: Head of ICT (EKS)

4.6. **Limited Resources (Impact 4, Likelihood 3) Current/Emerging/Future**

Strategic, Financial Risk Score 4

The high score for Limited Resources reflects the fact that it is one of the few risks that could result in the council losing control of its own destiny.

As in prior years this means that the Council is restricted to setting a meaningful budget for only one year and although scenarios can be put forward through the Medium Term Financial Strategy (MTFS), a budget position can not be guaranteed due to the various factors outside of the Council's control.

To mitigate this risk the Council undertakes a rigorous approach to budget setting, exploring a wide range of opportunities to minimise spending pressures and maximise our income streams. For the 2024/25 budget setting process this again included a Star Chamber process, where Service Directors are required to articulate and justify their budgetary requirements to a panel comprising the Leader, the Portfolio Holder for Finance and the Chief Executive and s151 Officer. This process has informed the shape and substance of next year's budget adjustments.

Due to the changing nature and composition of Local Government funding, authorities are becoming increasingly reliant on locally raised sources of funding such as Council Tax and Fees and Charges. Therefore, to mitigate the risk of 'Limited Financial Resources' and enhance our long-term financial sustainability and resilience, it is the view of the section 151 officer that it is essential to optimise these local raised income streams, whilst also considering the affordability constraints of our residents and service users.

In addition, the council has a range of budgetary controls in place to manage spending pressures in-year, including regular reporting of spending forecasts to the Corporate Management Team and Cabinet.

Corporate Risk Lead Officer: Director of Corporate Services & s151 Officer

4.7. **Economic Environment (Impact 4, Likelihood 4) Current/Emerging/Future**

Service Delivery, Strategic and Financial risk score 4

The UK economy continues to experience inflationary pressures, with the Consumer Price Index at 6.3% as at August 2023.

This has an impact on all items of goods and services that the council has to purchase and consequently presents a risk of overspending against a number of budget headings. Wherever possible this is being managed within the confines of existing approved budgets, but inflationary pressures has been one of the key budgetary constraints to delivering a balanced budget for 2024/25.

This is particularly prevalent in the construction industry and could lead to a rationalisation of some of our capital projects, to ensure they are delivered within budget, or the potential for significant overspends.

The cost of living crisis is a significant issue for both the Council and all Thanet residents. It is likely to force more households to be homeless (see Homelessness risk below), force more into fuel poverty and have a direct impact on jobs in leisure/retail with households having less disposable income. The council continues to provide financial support and advice to residents where it can, for example via the administration of government funding (e.g. Household Support Fund, Council Tax Energy Rebate) or the provision of tools and information regarding benefit entitlement on our website and information channels.

The cost of living crisis and the impact of rising inflation continues to place pressure on staffing budgets. For 2022/23 the Council needed to reopen pay negotiations in order to consult on a revised offer. This revised offer resulted in an increase of 1% from 2% to 3% for 22/23, adding an additional cost pressure to be accommodated as part of the 23/24 budget setting process. A 4% offer was agreed with the unions for 2023/24.

Furthermore, given the current economic environment, there is a heightened risk of a reduction in supplier base through mergers, business closure/insolvency, which could impact on our services and also make further procurement more difficult through depleted markets and lack of competition. This risk is addressed through the central management of our supplier base by the Procurement team, who scrutinise the rationale for supplier adoption and undertake a company credit check via Creditsafe.

Corporate Risk Lead Officer: Director of Corporate Services & s151 Officer

4.8. **Homelessness (Impact 4, Likelihood 4) Highest scoring mechanism is financial risk at 4 Current**

Service Delivery, Strategic and Financial risk score 4

During 2022, the Council experienced an increased requirement to provide temporary accommodation (TA) for homeless households, and this trend has continued during 2023. Factors that have influenced this include:

- Increasing costs in the private rented sector, leading to more households struggling with their rent costs, whilst at the same time Local Housing allowance rates have continued to be frozen.
- Landlords leaving the market for sale or short-term letting alternatives.
- Increased demand for private renting in the district, leading to a reduction in the number of private sector lets that are affordable to households on low incomes, impacting on the ability of the council to effectively prevent homelessness.

The current cost of living crisis is compounding these pressures. Local housing allowances have fallen significantly behind average private sector rents as a result of rent inflation. Cases that were delayed as a result of the eviction ban are now progressing through the courts, resulting in additional service and financial pressures.

These pressures have made it much more difficult for the council to prevent homelessness and find suitable, affordable solutions for people facing homelessness in the private rented sector. This has resulted in an increased number of households living in temporary accommodation.

The pressures led to a budget overspend in 2022/23 of around £1.2m and the decision to include budget growth of £800k in the 2023/24 budget. Quarter 2 budget monitoring is currently predicting an overspend of £480k for 2023/24.

The Housing options team has identified further actions over the second half of 2023/24 in order to reduce financial risks linked to homelessness and have produced a detailed action plan, which includes:

- A further push to provide incentives to landlords in order for them to provide accommodation that directly reduces the number who require temporary accommodation. It should be noted however that there are a reduced number of landlords in the sector that may be available to provide these incentives too.

- Considering the potential for other options to encourage private sector landlords to make property available for homeless households.

- Regular review of all households in TA to identify those with potential move-on options.

- A further push to ensure maximum recovery of temporary accommodation charges and housing benefit is achieved.

- Acquiring additional in-house TA provision, utilising the approved capital budget for new TA.

- The on-going delivery of the council's commitment to deliver 400 new affordable rented homes over 4 years.

On 31 October, officers attended an emergency homelessness summit, convened by the District Council Network along with another 157 other councils, all facing pressures on their homelessness services. The issue is of national significance. Following the summit the council was a joint signatory to an open letter to the government seeking urgent support. Key asks included:

- Increases in local housing allowances and discretionary housing payments budget,
- Additional resources for homelessness prevention services, and
- Long term investment in more social housing.

The government has given additional financial support to local authorities in previous years and although nothing further has been formally announced to date, should additional support be provided, the overspend forecast would reduce as a result.

Corporate Risk Lead Officer: Corporate Director of Place

4.9. **Berth 4/5 (Impact 4, Likelihood 3): Current/Emerging/Future**

Reputation, Service Delivery and Financial risk score 4

The project was delayed whilst an environmental impact assessment was developed to inform planning and marine licensing consents. The original berth was taken out of service in November 2020 due to its deteriorated condition.

A Cabinet decision was made in July 2021 to increase budget provision for the project. The EIA was completed in January 2022. The Planning Prior Approval and Marine Licence were both granted in May 2022.

The berth installation works commenced in June 2022 and reached substantial completion at the end of September 2022. Electrical supply and service lighting installation work was completed at the beginning of August.
The berth is ready for service subject to the installation of an aggregates conveyor by Brett Aggregates. The timescale for the installation of the conveyor has not yet been confirmed.

The change in project programme following the notification that an Environmental Impact Assessment was required has resulted in a financial risk to the council due to extended berth outage and associated contractual costs. The final cost of the work element of the scheme has not yet been determined and has been delayed but is anticipated by the end of 2023.

Corporate Risk Lead Officer: Director of Environment

4.10. **Environmental Act (Impact 4, Likelihood 4) Current/Emerging/Future**

Reputation, Service Delivery, Strategic and Financial risk score 4

The Environment Act became law on 9 November 2021. This includes fundamental changes in responsibility for waste and recycling, which will have implications for the way we deliver statutory household waste collections.

As a member of the Kent Resource Partnership, TDC responded to Government consultations in 2021 on consistency of household collections, the Extended Producer Responsibility and a Deposit Return Scheme. Changes affecting household waste as a result of the new act were anticipated to start to take effect from this year but in July DEFRA announced that the extended producer responsibility (EPR) scheme has been deferred until October 2025. Whilst the act includes provision for new burdens funding and support to local authorities for the proposed changes, the implications for our vehicle fleet and resourcing including income from recycling and waste diverted from landfill are not yet clear. These provisions are likely to be predicated upon efficiencies of service delivery and provision of recycling services. Failure to meet these expectations could result in up to a 20% deduction in EPR payments that the council could expect to receive. DEFRA's consultation response to collection reforms (now titled "Simpler Recycling") has only recently been published. Further work will be needed in collaboration with other Kent local authorities via the Kent Resource Partnership to see what effect the changes will have on current waste and recycling collection and transfer arrangements.

Corporate Risk Lead Officer: Director of Environment

4.11. **Change to EPC Requirements in 2023 (Impact 3 Likelihood 1) Current/Emerging/Future**

Reputation, Service Delivery, Strategic risk score 3

On 1 April 2023, the next round of EPC Regulations came into force as part of the government's push to achieve net zero emissions by 2050 (under the Energy Performance of Buildings (England and Wales) Regulations 2012)

All rented commercial property needs to have an energy performance certificate (EPC) rating of band 'E' or better and failure to achieve this will see landlords face potential fines, and/or the inability to continue with current leases and/or enter into new lease agreements with potential tenants. This translates to the risk of additional costs or lost revenue to the authority.

There are a number of council tenanted properties that are at risk of not meeting these changes, either because their current EPC rating is below the E rating (i.e F or G) or there are no coherent records to evidence an EPC assessment has been undertaken. There is also a high probability that these properties will require some form of improvement works in order to achieve the required E rating (which is a landlord cost). To establish a clear cost analysis, EPC assessments need to be undertaken as a priority.

The Estates Department has taken proactive measures to address the EPC assessments for council-tenanted properties. We have to date successfully completed assessments for 85.3% of the properties. To ensure ongoing compliance, we are implementing a robust system for compliance monitoring and management. This will ensure that recommended works are prioritised and included in our planned maintenance programme (subject to policy and funding). For properties that require significant retrofitting to meet EPC regulations, we will explore strategies such as targeted disposal. This will enable the council to effectively manage risks, minimise revenue loss, and address any leasing limitations that may arise while also optimising the performance and sustainability of our property portfolio.

Recently, Prime Minister Rishi Sunak has scrapped proposed energy efficiency targets for households, including rental properties. The changes to EPC requirements were due to come into force in 2025 and would have required all properties covered by a new tenancy agreement to meet an EPC rating of C or above, with all rental properties due to meet the standard from 2028.

However, the “Incluse Environment” property standards would highlight that just because something is no longer a legal requirement it doesn’t mean it is ethical to scrap it, therefore TDC will still proceed with the work planned on improving the EPC standards for the commercial estate.

Corporate Risk Owner: Head of Property

4.12. **Climate change and Net Zero Strategy (Impact 4 Likelihood 4) Current/Emerging/Future**

Service Delivery, Strategic and Financial risk score 4

The global attention on climate change and its impacts has never been more focused. The risk that climate change presents to the council and the wellbeing of its residents is stark and will potentially impact the council right across the risk spectrum; including financially, reputationally, in terms of service provision and the wellbeing of our staff and residents. For example, climate change presents an increased risk of extreme weather, such as the heat waves seen during the summer of 2022, which had consequent implications for service provision and also the wellbeing and welfare of our staff and residents.

The organisation has responded to these risks and challenges by declaring a climate emergency in 2019 and subsequently developing a Net Zero strategy, which was approved by the Cabinet on Thursday 2 March 2023.

The Net Zero Strategy shows how the council will meet its net zero pledge and is split into:

- addressing emissions in Thanet District Council’s core carbon footprint to achieve net zero by 2030;
- addressing the wider council emissions that we have partial control over by 2050 at the very latest;
- supporting Kent County Council, government, business, industry and the community to reduce emissions generated across the district by 2050 at the latest.

The Net Zero Strategy shows how we will reduce emissions to 2030 and 2050 and will help to avoid the worst impacts of climate change.

As global temperatures have already increased by 1.2oC, some impacts of climate change are already baked in and so we will work with KCC and DEFRA to understand these and the steps we need to take to adapt to those unavoidable impacts.

The progress on the Net Zero Strategy and action plan are currently being evaluated. The risks to achieving our pledge will be set out in the next risk register.

Major risks to meeting our core pledge currently are the very old gas boilers in Cecil Street and the Kent Innovation Centre (KIC). If these are replaced by further gas boilers, instead of air or ground source heat pumps, we will not reach net zero by 2030. These decarbonisation projects will need to start as soon as possible and the decision over the future of the cecil offices is a critical step in this. The Cecil and KIC gas boiler replacement projects have been added as capital bids and may be part funded by the Public Sector Decarbonisation Fund - which the council will apply for.

Corporate Risk Lead Officer: Head of Strategy & Transformation

5. Other risks

5.1. G&A meeting members requested to have oversight of all risks as part of the regular reports. This would however substantially increase the size of the report and so all risks scoring 8 or more after mitigation have been included within **Annex 1**. which is presented twice a year in Sept and March

Contact Officer: Chris Blundell (Director of Corporate Services)
Reporting to: Colin Carmichael (Interim Chief Executive)

Annex List - None

Background Papers - None

Corporate Consultation Undertaken

Finance: Matt Sanham (Head of Finance and Procurement)
Legal: Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)

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Thanet Lotto Update

Governance & Audit	29 November 2023
Report Author	Chris Blundell, Director of Corporate Services & s151 Officer
Portfolio Holder	Rob Yates, Portfolio Holder for Corporate Services
Status	For Information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report sets out an update on the progress made on implementation of internal audit recommendations in relation to the Thanet Lotto.

Recommendation(s):

The committee notes the report

Corporate Implications

Financial and Value for Money

There are no financial implications arising directly from the noting of this report.

Legal

The Local Audit and Accountability Act 2014 and associated regulations require a Local Authority to take undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Good governance is essential to the effective working of a Local Authority and ensures that proper arrangements are in place to support the achievement of its objectives. This report notes the progress made in addressing the areas of concern raised by internal audit. The report is for noting and as such there are no particular legal implications arising

Risk Management

As part of their prior audit of the Thanet Lotto East Kent Audit Partnership made a number of recommendations to management to reduce the risks associated with the operation of the lottery.

Management has accepted these recommendations and this report details the progress made in implementing the recommendations.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

Corporate Priorities

This report relates to the following corporate priorities: -

- *Communities*

1. Introduction and Background

1.1. An initial audit on the Thanet Community Lotto was initially undertaken in 2022 following a licensing issue that saw the Gambling Commission suspend the Thanet Community Lotto. The initial audit contained 14 agreed management actions to reduce the identified risks. The table below shows how these were categorised and whether or not they had been implemented at the point of follow up in February 2023.

Risk Priority	No. of Initial	No. Fully	No. Partially	No.

	Recommendations.	Implemented	Implemented with Revised Implementation Date	Outstanding
Critical	1	-	-	1
High	5	2	-	3
Medium	8	4	-	4
Low	-	-	-	-

1.2. It can be seen that at the point of follow up six of the recommendations had been fully implemented, but eight were still outstanding. These included:

- Adopting six pre-written template policies which have been shared with the Council by the External Lottery Manager (Gatherwell) largely to help protect children and vulnerable people and protect the Council from crime and disorder.
- Adopting a policy or procedure for allocating the Thanet Community Fund.
- Arranging training sessions for licensing holders.
- Adding the Director of Communications (HT) as an additional licensing holder to help improve resilience.
- Updating the scheme of delegation to include responsibilities for the Thanet Community Lotto.

1.3. This report provides a detailed update on the progress made against the eight outstanding recommendations.

2. Progress Against Recommendations

Critical Recommendations

2.1. Outstanding Recommendation Number 1 - Policies

Audit Recommendation

CMT should review the full range of conditions on the initial licence granted by the Gambling Commission in 2017 and introduce the following policies which are template policies provided by the reputable external lottery manager (Gatherwell) and were provided to the Council for consideration and adoption:

- Children and Vulnerable person protection policy;
- Fair and Open Gambling Policy;
- Implementation Procedures Policy;
- Protection from Source of Crime & Disorder Policy;
- Remote Technical Standards Policy; and
- Social Responsibility in Gambling Policy.

Management Response

This action has been partially implemented. All the above named policies were considered and approved by the Corporate Management Team on 29 August 2023. The next stage will be to promote and publicise these policies, this task will be assigned to the new Policy Manager who starts their employment with the council next month. The anticipated completion date is February 2024.

High Recommendations

2.2. Outstanding Recommendation Number 2 - Allocation of Thanet Community Fund

Audit Recommendation

Senior Management must adopt a policy or procedure and publish this online that transparently sets out the process for allocation and distribution of the Thanet Community Fund. Management must also acknowledge that the details published online suggest that organisations can 'apply for this fund' once 'the fund has built up'.

Management Response

This action has been partially implemented: The procedure for allocation and distribution of the Thanet Community Fund will be aligned with the Council's Shared Prosperity Fund, which will launch in January 2024. This will include an application process to apply for small grants of between £1,000-£5,000 for 'good causes' across Thanet. A framework is being set up to sift and manage the approval process. The scoring criteria will be published alongside guidance and the application form.

2.3. Outstanding Recommendation Number 3 - Scheme of Delegation

Audit Recommendation

The Scheme of Delegation should be specifically revisited and updated to include responsibilities for the Thanet Lotto, before the Section 151 Officer and the Head of Strategy and Transformation are added to the licence.

Management Response

This action has been implemented: The Scheme of Delegation has been updated to reflect that the DIrector of Corporate Services is assigned as the Thanet Lotto licence holder.

2.4. Outstanding Recommendation Number 4 - Training

Audit Recommendation

Senior Management should organise external training sessions on the Thanet Lottery and the Council's licensing obligations as a lottery provider, as part of a formal training regime for all key staff involved in managing the lottery including all existing and future licensees.

Management Response

This action is partially implemented. Management has enquired as to whether in person training can be provided, however only on-line e-learning is available. This e-learning training has been completed by some but not all staff involved with the Lotto.

Medium Recommendations

2.5. Outstanding Recommendation Number 5 - Scheme of Delegation

Audit Recommendation

The entire Scheme of Delegation more generally should be reviewed to ensure the current post holders are acknowledged on the latest versions published on TOM and previous post holders are removed.

Management Response

This action is implemented. The officer scheme of delegation has been revised and approved by the General Purposes Commitee.

2.6. Outstanding Recommendation Number 6 - Ticket Designation Licencing Condition

Audit Recommendation

Lottery tickets generated by a customer must '*state the name of a member of the society who is designated, by persons acting on behalf of the society, as having responsibility within the society for the promotion of the lottery*' in accordance with Licence condition 11.1.1.

Management Response

This action has been implemented.

2.7. Outstanding Recommendation Number 7 - Licence Holders

Audit Recommendation

The Council should continue with its intention to add the Section 151 Officer (CB) and Director of Communications (HT) as licence holders for the Thanet Community Lotto.

Management Response

This action is partially implemented: The S151 Officer has now been added to the licence. Head of Strategy and Transformation is still to be added. Anticipated completion date is February 2024.

2.8. Outstanding Recommendation Number 7 - Terms and Conditions

Audit Recommendation

Management should adopt the 'Proposed Terms & Conditions - Good Causes Applications' dated March 2022, include the name of the officer who approved the document and then share this with Gatherwell.

Management Response

This action has been implemented. The Terms and Conditions have been adopted and shared with Gatherwell.

3. Conclusion

3.1. This reports the progress has been made since the follow-up audit in February, with now four of of the eight actions remaining implemented and another four remaining to be implemented over the coming month

Contact Officer: *Chris Blundell, Director of Corporate Services & s151 Officer*
Reporting to: *Colin Carmichael (Chief Executive)*

Annex List

None

Background Papers

None

Corporate Consultation

Finance: *N/A*
Legal: *Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)*