



Date: 20 September 2022
Our Ref: Governance & Audit Committee/Agenda
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GOVERNANCE & AUDIT COMMITTEE

28 SEPTEMBER 2022

A meeting of the Governance & Audit Committee will be held at **7.00 pm on Wednesday, 28 September 2022** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Boyd (Chair); Councillors: Dexter (Vice-Chair), Braidwood, Duckworth, Garner, Hopkinson, Kup, Leys, Pat Moore, Shrubbs, Towing and Whitehead

A G E N D A

Item
No

Subject

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** (Pages 3 - 4)
To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest advice attached to this Agenda. If a Member declares an interest, they should complete the [Declaration of Interest Form](#).
3. **MINUTES OF PREVIOUS MEETING** (Pages 5 - 12)
To approve the Minutes of the Governance and Audit Committee meeting held on 27/07/22, copy attached.
4. **QUARTER 1 REVIEW 2022-23: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 13 - 20)
5. **QUARTERLY INTERNAL UPDATE REPORT** (Pages 21 - 48)
6. **ANNUAL GOVERNANCE REPORT**
Report to follow.
7. **RISK MANAGEMENT** (Pages 49 - 58)

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Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or
Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
 - exercises functions of a public nature; or
 - is directed to charitable purposes; or
 - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Committee Services Manager well in advance of the meeting.

If you need to declare an interest then please complete the declaration of [interest form](#).

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 27 July 2022 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Kerry Boyd (Chair); Councillors Duckworth, Garner, Kup, Leys, Shrubbs, Towning, Whitehead and Yates.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Braidwood and Hopkinson. Councillor Yates was present as a substitute for Councillor Hopkinson.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Kup proposed, Councillor Towning seconded and members AGREED to approve the minutes of the meeting held on 09 March 2022.

4. RISK MANAGEMENT STRATEGY

Aimee Munden-Jackson, Insurance Officer, presented the Strategy report, making the following key points:

- The strategy was to be approved annually, to ensure it was fit for purpose.
- Due to many internal and external factors a full review was needed to reflect the changes in the local authority. This new strategy would strength certain elements to ensure that clear corporate approach risk management was adopted.
- TDC had seen several significant emerging risks since the previous update. Some of the risk management strategy had remained, and some had changed and evolved.
- Key risks included Covid-19 and Brexit. Further risks which were interlinked with Covid-19 and Brexit included shortage of HGV and fuel, homelessness.
- There were advantages of risk management. This included opportunities to reduce the chance of failure. Using a look across method, coping strategies could be created to deal with uncertain events.
- There were three types of risk:
 1. Current risk
 2. Emerging risk
 3. Future risk.
- Attitude towards current risk had to change. The council needed to become more proactive rather than reactive.
- Emerging risks were those risks in the horizon, and risk management needed to be planned around these risks.
- Future risks are hard to predict and detect.
- The pestle approach is a common approach which had been in risk management for years, but had not been understood or used. The approach covered political, economic, social, technological, legislative and environmental aspects.
- The risk matrix would be developed in order to create a clearer scoring.
- Risk ratings were to be increased to 5 levels.

- Emphasis was placed on TDC becoming engaged with the risk management strategy. Clearer processes would be laid out for reporting, and amber risks would be included in future quarterly reports.
- There would be new annual meetings with each directorate to ensure corporate engagement, renewing and refreshing historic risks.
- There was to be a new section on CMT, Cabinet and Council reports.
- Risk management was not just a set of rules; risk management is a culture, a shared belief and vision which will only be achieved by a top-down approach.

Discussion raised the following points:

- Nearly all of the risks were related to external factors that TDC were not in charge of creating. This included: Brexit, limited resources and homelessness.
- Once the recommendations from the IMO had been addressed and significant progress had been made against the majority of the recommendations, the corporate risk register and score could be looked at. While it appeared that the score had stayed the same, this is not implying that no progress had been made.
- It was important to get risk management into embedded into TDC.

Councillor Leys proposed, Councillor Garner seconded and members APPROVED the new Risk Management Strategy.

5. CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Chris Blundell, Director of Finance, introduced the update report making the following key points:

- Most of the scores had not changed, but this did not mean that these things had not changed, and a lot of these specific topics were dynamic.
- Political stewardship had been well managed.
- The cyber attack score was high, and there had been further initiatives against this risk.
- Some progress had been made in relation to governance, however the score remained unchanged.
- Berth 4-5 was considered a dynamic situation, and the risks had been classified as high.
- Homelessness had been one of the biggest challenges. The increased numbers of homelessness had been largely due to external factors. The corporate management team were aware of this challenge.
- Economic resources were considered a hangover by the risk which was titled Brexit.
- Cost of living was a new risk, and negotiations were underway with the union regarding pay offers. TDC was aware of the risks that cost of living had outside of the district as well as their direct residents.
- Further new risks included anti-social behaviour; this was due to events on beach fronts in June and July 2022.

Discussion raised the following points:

- Homelessness and cost of living was in the highest risk category, and both had been intrinsically linked with each other.
- Key actions included delivering affordable housing. There was a desperate need of additional affordable rent. The council was committed to funding this into the future, approximately £8 million over a 10 year period.

- Housing association supply is due to increase significantly in 2022 and 2023. This would see the increase of 180 – 200 units in 2022 and 2023.
- There had been a range of new services, including intervention, financial assistance for people that faced homelessness and sign posting people to appropriate services such as citizen's advice and the benefits services.
- Councillor Jill Bayford had written to the government on the impact of the cost of living crisis on the community and on homelessness.
- It was highly unlikely that TDC would receive any additional funding as part of the budget setting process from the government. However, this was difficult to gage.
- It was too early to comment on the scale of the savings TDC would have to make going forward.
- The council's website published the number of empty homes in the district, and the number of homes that had been brought back into use. The most recent figure that had been published stood at 1,458 empty homes.
- Empty homes plan was also published on the TDC website. This had detail on how the teams work was prioritised and tools in bringing homes back to use.
- There were major concerns regarding anti-social behaviour. Concerns were raised regarding protection being offered to residents, and the resources involved with enforcement.
- Anti-social behaviour was a complex issue, and in some cases such behaviour was not considered anti-social but rather deemed criminal.
- Contain Outbreak Management Fund (COMF) had not been secured in 2022, and consequently there had been less enforcement. TDC had been working closely with the police and the multi-agency task force.
- Different approaches to anti-social behaviour had been discussed, this including the use of social media to engage with community. For example, pushing forth picking up litter and reporting anti-social behaviour.
- Flexible working trial had been in place for over a year; this had been extended to be considered further. Flexible working brought some issues, but also many benefits. There had been a broad acceptance that some of flexible working had to be available. Chris Blundell would look into the impact of home working and report back.

Councillor Leys proposed, Councillor Yates seconded and Members AGREED to approve the review of corporate risks.

6. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Simon Webb, from East Kent Audit Partnership, introduced the report making the following key points:

- This was the regular internal quarterly update report which summarised the work undertaken by the East Kent Audit Partnership (EKAP) since the last meeting of this committee, together with details of performance of the EKAP dating to the 31st May 2022. There had been 9 new audit assignments completed in this period.
- There had been a conclusion of substantial assurance in budgetary control and ICT procurement and disposal. Food safety had concluded substantial assurance, and there had been a partial no assurance opinion relating to GDPR and data retention.
- There were three areas in which reasonable assurance had been considered; Ramsgate Marina, electoral registration and election management and risk management.
- Tenancy and estate management concluded as largely reasonable assurance, with limited assurance opinion relating to estate grounds maintenance.

- Housing repairs and maintenance had limited assurance, but there was a positive outlook going forth.
- CCTV had no level of assurance due to lack of privacy zones on the cameras among other issues. Management had advised that a number of agreed recommendations had been since implemented, including correcting the privacy zones. A follow up would take place, and the results would be presented to G&A in either September or December 2022.
- Follow ups were noted as an important part of the audit work, and there had been 7 follow ups within the noted period.

During questions the following points were made:

- Concerns were shared about commercial let properties and concessions.
- The Director of Property, was to come back to the committee and update the committee on the resourcing and improvement plans for the service. The Director of Property would also comment on the property portfolio. This would serve to be a useful piece of work to do, and would further provide a framework to bring the plan forward.
- The follow up for the commercial let property and concessions was completed in April 2022; the original audit had been completed 3-5 months prior to this.
- Income from Margate Harbour Arm had been used to balance the budget in the property service. However, there was additional income which TDC could secure for the commercial property concessions.
- The estate management policy would be brought to the Housing Cabinet Advisory Group and then further onto cabinet.
- Questioning was raised around the disposal of ICT equipment, asking whether TDC had been using or had been in contact with organisations that reuse ICT equipment? Chris Blundell commented that he would bring back to the committee a response to that question.

Councillor Duckworth proposed, Councillor Shrubbs seconded and Members APPROVED the report.

7. INTERNAL AUDIT ANNUAL REPORT 2021-22

Christine Parker, from East Kent Audit Partnership, introduced the report and made the following points:

- The report was required to comply with professional standards, and was an important source of assurance for the Committee.
- It was noted that the partnership had been able to act independently without interference from management.
- The report was in two parts. Addressing compliance with standards, and how the partnership had performed at functioning and delivering the audit plan. Then presenting a summary of what has been looked at, and what the themes and emerging comments were.
- There was one area of non-compliance with the professional standards; the requirement to have an external quality assurance assessment of the internal audit service. The reviews by the four s.151 Officers of the self-assessment is instead being relied upon.
- There were 24 projects set out in the plan in March 2021. During the year 21 projects had been completed, and 5 projects were in progress on 31st March 2022.
- Some projects had been pushed back, to accommodate more urgent work.
- Across the year a total of 102 recommendations were agreed, and 55% were in the Critical or High-Risk categories.

- Taken together 58% of the reviews accounted for substantial or reasonable assurance.
- In terms of progress reports, there had been 15 follow ups undertaken during the year. The areas with fundamental issues of note arising from the audits and follow up undertaken in 2021-22 had been resolved, or escalated to the Governance and Audit Committee, during the year.
- The Opinion had been split into the three key areas. It was concluded that confidence in Corporate Governance remained low due to significant unresolved matters in the governance arrangements for the council. It was stressed that the Opinion covered only to 31st March 2022 and between April and June 2022, significant changes had impacted the council, and there had been changes to senior management. The Opinion for Internal Control noted some positive responses (including Tenant Health and Safety) but highlighted a decline in the process of escalating internal control issues affecting Corporate Objectives not being addressed over successive years/ audit cycles, leading to further decline in governance in some areas. The opinion for Risk Management confirmed that arrangements for the Council's risk management framework are effective.

During discussion it was noted that:

- The work currently at TDC was all planned work, there were no responsive reviews or special investigations underway.

Councillor Kup proposed, Councillor Leys seconded and Members APPROVED the review.

8. ANNUAL TREASURY MANAGEMENT REVIEW 2021-22

Chris Blundell introduced the review and made the following key points:

- The review was a backward look on treasury management activity for the past year up to the 31st March 2022.
- Treasury management was all about how the cash was managed, looking at investments and borrowing.
- Section 3 looks at capital expenditure. The capital expenditure general fund shows £7.5 million versus the budget of £3 million. This was much lower than was wanted. The reasons and full details for all of these areas would come to Cabinet in September.
- TDC held £20 million worth of debt, this was considered a good thing, and no rules had been broken.
- In section 4.10, the authorised limit, and 4.11, the operational boundary, it was reported that the limits had not been overspent.
- The breakdown of the debt portfolio was £20 million, as seen in section 5.5 of the report.
- Interest rates, base rates and overnight rates, had increased 2 further rate rises.
- Refinanced £4 million of debt in the last year.
- Investment out turn shows that there had been £47 million worth of usable reserves at the end of March provisionally. This should be an average rate of return of 0.1%.
- Section 11 within the report was something that the committee had asked to note. This was a new addition to the main body of the report, and set out the capital receipts.

Discussion raised the following points:

- The strategy concerned with internal managed funds would be presented at the September committee. The strategy was last approved by full Council in February.
- The strategy did need looking at again.
- Typically, in order to get better rates of return, more risks needed to be taken.

Councillor Towing proposed, Councillor Yates seconded and Members APPROVED the review.

9. UPDATE TO RIPA POLICY AND ANNUAL REPORT

Sameera Khan, Interim Head of Legal and Monitoring Officer, introduced the report and made the following key points:

- The update to the RIPA policy was a statutory requirement by all councils.
- It was required by law to have this policy updated and reviewed every year. The last time the policy was reviewed was in 2018.
- The letter within the report outlined the inspection by the commissioner in April; it had taken some time to bring the report back to G&A due to the change of management.
- The report outlines what RIPA is, provides a definition and how the Covid human intelligence resources (CHIS) should be used.
- Flow charts were extensive; the recommendation set out in the report was to acknowledge by the commissioner what was needed to be done.
- In the September G&A meeting a report would be given concerning how the recommendations would be implemented.

Members commented and during discussion it was noted that:

- The RIPA policy would be updated and maintained by Sameera Khan.
- When TDC appoints a permanent Monitoring Officer, it would be the officers' responsibility to review the policy on an annual basis.
- Questions were raised regarding why over the last 4 years the RIPA policy had not been reviewed. Chris Blundell was to look into this question and provide a response.

Councillor Leys proposed, Councillor Yates seconded and Members APPROVED the report.

10. 2020/21 STATEMENT OF ACCOUNTS

Chris Blundell introduced the report, making the following key points:

- Nick Halliwell had shared briefing notes prior to the meeting.
- This report was a holding report since the audit had not been completed. The key reasons for this had been set out in the briefing note.
- Reasons which were considered internal to TDC included the objections and grievances related to the Berth 4 5 project, and the infrastructure assets related to foreshore.
- Some of the delay sat with TDC, there was a stretch on resources within the finance team. Chris Blundell and Matt Sanham had recently taken on additional roles.

During questions the following points were made:

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- Grant Thornton had to do work on Berth 4 5 due to local residents putting forth objections.
- The investigation which came out of the Quentin Baker report would not be commissioned by Grant Thornton. This was in the commissioning stage.

Councillor Kup proposed, Councillor Duckworth seconded and Members APPROVED the report.

Meeting concluded: 9.00 pm

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Quarter 1 Review 2022-23: Treasury Management and Annual Investment Strategy

Governance & Audit Committee 28 September 2022

Report Author	Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer
Portfolio Holder	Councillor David Saunders, Cabinet Member for Finance
Status	For Decision
Classification	Unrestricted
Previously Considered by	N/A
Ward	Thanet Wide

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for the first quarter of 2022-23.

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 details of the 2022-23 first quarter position for treasury activities.

Key reporting items to consider include:

- 2022-23 first quarter capital expenditure on long term assets was £2.1m (2021-22 Q1: £1.9m), against a full-year budget of £54.7m.
- The council’s gross debt, also called the borrowing position, at 30 June 2022 was £20.0m (30 June 2021: £24.2m).
- The council’s underlying need to borrow to finance its capital expenditure, also called the Capital Financing Requirement (CFR), is estimated to be £68.0m at 31 March 2023 as per the 2022-23 Treasury Management Strategy Statement (TMSS) (31 March 2022: £51.7m).
- The council has held less gross debt than its CFR and accordingly has complied with the requirement not to exceed its authorised borrowing limit of £81m.
- As at 30 June 2022 the council’s investment balance was £50.8m (30 June 2021: £47.3m).

Recommendation(s):

That the Governance & Audit Committee notes, and makes comments on as appropriate, this report.

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 Acting Deputy Chief Executive, and this report is helping to carry out that function.

Risk Management

Risk management is as per the provisions of the annual TMSS, 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.

1 Background

1.1 Treasury management

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 council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising 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 the council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet council risk or cost objectives.

2 Introduction

2.1 The CIPFA Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year and quarterly reports). This report, therefore, ensures this council is implementing best practice in accordance with the Code.

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The TMSS for 2022-23, which includes the Annual Investment Strategy, Capital Strategy and Non-Treasury Investment Report, was approved by the council on 10 February 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

3.2 The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council's risk appetite. In the current economic climate it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions. Details of investments are shown in the table in section 5.4.

3.3 Creditworthiness

Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the pandemic began in March 2020. In the main, where they did change, any alterations were limited to Outlooks (an indication of a credit rating agency's view regarding the potential direction of a credit rating). However, as economies have reopened, there have been some instances of previous lowering of Outlooks being reversed.

3.4 Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function as described in sections 1.1 and 3.2.

3.5 CDS prices

Although Credit Default Swap (CDS) prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

3.6 Investment balances

The average level of funds available for investment purposes during the quarter was £53.960m. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

- 3.7 The yield on deposits for the first quarter of the financial year is 0.86% against a benchmark 7 day SONIA compounded rate of 0.78%.

The Council's budgeted investment return for 2022-23 is £167k (£42k quarter-year) and performance for the first quarter of the financial year is above budget at £115k.

3.8 **Approved limits**

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2022 except as described below.

- 3.9 Due to an error by one of the Council's financial providers, interest on a deposit in a money market fund was added to the deposit rather than being sent to the Council's bank account. This caused the Council's £6m limit per fund to be exceeded by £4,385 for the period from 1 June to 8 June 2022.

- 3.10 Despite reassurances to the contrary, the same error reoccurred the following month, this time causing the limit to be exceeded by £5,335 from 1 July to 4 July 2022.

3.11 **Impact of inflation**

The significant increase in inflation has not been matched by the increase in interest rates, which has had an adverse impact on the real value (relative price adjusted for inflation) of the council's investment balances. However, the impact on the council's balance sheet as a whole has been acceptable, due to factors such as the council's borrowing requirement (as represented by the CFR) and its land and property assets. Inflation reduces the real value of the council's borrowing/debt whereas this is not necessarily the case for its land and property assets because, unlike the council's debt, their nominal value is variable.

As at 31 March 2022, the council's investments were £51.308m, its CFR was £51.679m and the net book value of its long term assets (property, plant, equipment, heritage assets and investment property) was £295.945m. (Please note that the council's 2021-22 accounts have not yet been audited and hence these figures are subject to change).

However, the council's treasury position is being reviewed and it is anticipated that, in connection with this, changes may be proposed to the 2022-23 Treasury Management Strategy Statement in the 2022-23 Mid Year Treasury Review report.

4 **Borrowing**

- 4.1 No new external borrowing was undertaken from the PWLB during the quarter ended 30th June 2022.

4.2 **PWLB maturity certainty rates year to date to 30th June 2022**

Gilt yields and PWLB rates were on a rising trend between 1st April and 30th June.

The 50 year PWLB target certainty rate for new long-term borrowing started 2022-23 at 2.20% before increasing to 2.70% in May before moving even higher to 3.40% in June.

4.3 Debt rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

5 Compliance with Treasury and Prudential Limits

5.1 Prudential and treasury Indicators are shown below

It is a statutory duty for the council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2022, the council has operated within the treasury and prudential indicators set out in the council's TMSS for 2022-23, except as described in sections 3.8 to 3.10 above. The Director of Finance reports that no other difficulties are envisaged for the current or future years in complying with these indicators.

5.2 Indicator for Capital Expenditure

The revised GF budget includes net reprofiling of £27.028m (£42.478m unspent budgets from 2021-22 that have been rolled into 2022-23 less £15.450m subsequently transferred to 2023-24). The revised HRA budget reflects the reprofiling of £15.279m budget from 2022-23 to 2023-24.

Capital Expenditure	2022-23 Original Budget £m	Actual spend as at 30-06-22 £m	2022-23 Revised Budget £m
General Fund	18.710	1.215	46.241
HRA	21.998	0.872	8.454
Total	40.708	2.087	54.695

Monitoring information on the capital programme at scheme level, including forecasts to the end of the financial year, is included in the regular Cabinet Budget Monitoring Reports.

5.3 Indicators for Borrowing Activity

5.3.1 A key control over the treasury activity is a prudential indicator to ensure that over the medium term, borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022-23 and next 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.

5.3.2 **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.

5.3.3 **Authorised Limit:** This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing

need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	£m
Gross external debt as at 30 June 2022	20.047
CFR as at 31 March 2022	51.679
CFR as at 31 March 2023 (estimate as per 2022-23 TMSS)	67.963
Operational Boundary (debt) 2022-23	76.000
Authorised Limit (debt) 2022-23	81.000

The Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with these prudential indicators.

- 5.3.4 **Maturity Structures of Borrowing:** These gross limits are set to reduce the council's exposure to large fixed rate sums falling due for refinancing.

	2022-23 Original Upper Limit	Current Position – Actual at 30-06-22	2022-23 Revised Upper Limit
Maturity structure of fixed rate borrowing			
Under 12 months	50%	24.1%	50%
1 year to under 2 years	50%	0.7%	50%
2 years to under 5 years	50%	13.3%	50%
5 years to under 10 years	50%	11.7%	50%
10 years to under 20 years	50%	35.6%	50%
20 years to under 30 years	50%	9.6%	50%
30 years to under 40 years	50%	0.0%	50%
40 years to under 50 years	50%	5.0%	50%
50 years and above	50%	0.0%	50%

The current position shows the actual percentage of fixed rate debt the authority has within each maturity span. None of the upper limits have been breached.

5.4 Indicator for Investments

The council held £50.827m of investments as at 30 June 2022, with maturities all under one year (£51.758m at 31 March 2022). The constituent investments are:

Sector	Country	Total £m
Banks	UK	4.634
Money Market Funds	UK	45.193
Bond Funds	UK	1.000
Total		50.827

6 Options

6.1 The recommended option (to ensure regulatory compliance as set out in section 1 of this report) is that the Governance & Audit Committee notes, and makes comments on as appropriate, this report.

6.2 Alternatively, the Governance & Audit Committee may decide not to do this and advise the reason(s) why.

7 Disclaimer

7.1 This report (including 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, Acting Deputy Chief Executive and S151 Officer
Reporting to: Colin Carmichael, Interim Chief Executive

Corporate Consultation Undertaken

Finance: N/A

Legal: Sameera Khan, Interim Head of Legal & Monitoring Officer

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Quarterly Internal Audit Update Report

Governance & Audit Committee	28-09-2022
Report Author	Head of Internal Audit
Portfolio Holder	Cllr David Saunders, Cabinet Member for Finance.
Status	For Information
Classification:	Unrestricted
Key Decision	No

Executive Summary:

This report provides Members with a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2022.

Recommendation(s):

That the report be received by Members.

That any changes to the agreed 2022-23 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

Corporate Implications

Financial and Value for Money

There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2022-23 budgets.

Legal

The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

Corporate

Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

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.

There are no equity or equalities issues arising from this report.

Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 Introduction and Background

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2022.

1.2 For each audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant member of the Senior Management Team, as well as the manager for the service reviewed.

1.3 Follow-up reviews are performed at an appropriate time, according to the priority of the recommendations, timescales for implementation of any agreed actions, and the risk to the Council.

1.4 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

1.5 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.

1.6 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

1.7 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal

audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report was submitted to the last meeting of this Committee.

2.0 Summary of Work

2.1 There have been five internal audit assignments completed during the period and three follow -ups.

3.0 Recommendations

3.1 That the report be received by Members.

That any changes to the agreed 2022-23 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

3.3 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance after follow-up.

3.4 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

Contact Officer: Christine Parker, Head of the Audit Partnership, Ext. 42160
Simon Webb, Deputy Head of Audit, Ext 7189

Reporting to: Chris Blundell; Acting Deputy Chief Executive

Annex List

Annex 1: East Kent Audit Partnership Update Report – 28-09-2022

Background Papers

Internal Audit Annual Plan 2022-23 - Previously presented to and approved in March 2022 at Governance and Audit Committee meeting

Internal Audit working papers - Held by the East Kent Audit Partnership

Corporate Consultation

Finance: Chris Blundell; Acting Deputy Chief Executive

Legal: Sameera Khan, Interim Head of Legal & Monitoring Officer

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QUARTERLY INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2022.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	EKS - Key Performance Indicators	Substantial	C H M L	0 1 0 0
2.2	Income, Bank Reconciliation and Cash Collection	Substantial/ Substantial/ Limited	C H M L	0 6 3 1
2.3	Recruitment & Leavers	Reasonable	C H M L	0 8 1 2
2.4	Thanet Community Lotto	Limited	C H M L	1 5 8 0
2.5	EKS - Housing Benefit Quarterly Testing 2021/22 Quarters 3 & 4	Not Applicable		

2.1 EKS Key Performance Indicators – Substantial Assurance

2.1.1 Audit Scope

To ensure that the controls over the production of the key performance indicators in respect of CIVICA are robust and sufficient to enable EK Services and the partner councils to have confidence in the data produced

2.1.2 Summary of Findings

There is a contract in place which sets out both the Service Standards and Key Performance Indicators (KPI's) within schedule 2. For the purposes of this audit only the KPI's have been reviewed which are detailed and set out within table 2H of this schedule. This details 6 Key Performance Indicators which are being reported on via Monthly Performance Monitoring Reports.

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If a KPI fails to meet the set target there could be financial penalties to be applied, such penalties are highlighted within the Monthly Report but a decision on any exclusions are made by the Contract Strategic Board. Reasons and actions taken to remedy any unsatisfactory performance are also being reported on.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Any changes to the Contract are being agreed and documented via the Contract Change Notification scheme as per the process detailed within Schedule 6: Change Control Procedure of the contract.
- The methodology and descriptors for each KPI can be found within Schedule 2 of the contract documentation; these are also being detailed within each monthly performance pack for managers to reference as necessary. Furthermore there are detailed procedural notes for each KPI being held on file.
- Sufficient reporting of the key performance indicators to management is in place via Monthly Reports which were found to be clear, concise and easy to follow.

Scope for improvement was however identified in the following area.

- Testing identified some minor errors in the calculation process of two KPI's (KPI 02 and KPI 05) these did not affect the overall KPI results which were still found to be within the targets set. Management has been alerted to these minor errors and the methodology/data input will be double checked moving forward to ensure correct values are reported for 2022/23.

2.2 Income, Bank Rec. & Cash Collection – Substantial, Substantial & Limited Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all income due to the Council is promptly collected, and completely and accurately accounted for in a timely manner and to ensure that the bank reconciliation is calculated correctly.

2.2.2 Summary of Findings

Income is described in the Council's Financial Procedure Rules as an asset that can be vulnerable and that effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly; this improves the Council's cash flow and reduces the time and cost of administration.

The Council has recently undergone some changes with regard to the cash collection function from in-house to external arrangements.

Cash Collection

The primary findings giving rise to the Limited opinion in this area are as follows:

- There is no mention within the new cash collection contract of providing the Council with the income reconciliation sheet for the cash being collected. This has impacted on the year end accounting process as no information is being received from the

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contractor on the 'pull tickets & audit tickets' for car parking income. This means that accounting for the proper treatment of VAT and confirming the cash being collected and banked as being accurate has not occurred.

- Reconciliation routines for the Parking System (monies collected) to the bank statements (monies banked) have not been established since the new cash collection contract became live in February 2022. From the information provided during the review for 2021/22 by the Finance Manager it would appear that there is £92,820.85 collected, banked and not reconciled. This continues to be unreconciled for the current financial year.

Effective control was however evidenced in the following areas:

- A 12 month contract, with option to extend for a further 10 months, is in place with the contractor to undertake the cash collection process from February 2022 .
- Business Continuity arrangements for the failure of the cash collection contract were put in place by the Finance Team by the implementation of an in-house collection service which was fully risk assessed and additional insurance was put in place.
- There are adequate arrangements in place for the storage of cash within the Council and at the various collection points.

Income Processing

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- There is a documented process in place for all income routines.
- There are safe and secure post opening procedures for cash and cheques which are being banked in a timely manner.
- There are adequate procedures in place; via the suspense account processes to ensure rejected and unallocated receipts are being reviewed and correctly accounted for.
- During 2021/22 waybills were produced for finance to perform reconciliation routines on the cash collected for the Tourism Office, Harbour Office and Crematorium.

Scope for improvement was however identified in the following areas:

- Reconciliation processes by submission of waybills to the income team on the monies taken and banked for car parking since the start of the new cash collection contract has not occurred.
- Secure Internet, telephone and direct payments relates to PCI DSS which was reviewed in 2018/19 under a separate audit process; the arrangements are documented via a Payment Card Industry Data Security Standards Policy accessible for all staff. For clarity and ownership officer contacts for PCI DSS arrangements for the Council need to be provided to ICT and detailed within this policy as currently these details have been left blank.

Bank Reconciliation

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- A bank reconciliation process occurs once a month, the process is being fully documented, any discrepancies are fully reviewed for the reasons and the actions taken and the reconciliation statement is signed off by a senior manager.

- Unpresented cheques are being reviewed and monitored every month and being written back after 6 months.

Scope for improvement was however identified in the following areas:

- Procedures need to be reviewed and updated where necessary.

2.3 Recruitment & Leavers – Reasonable Assurance

2.3.1 Audit Scope

To provide assurance that the Council's internal controls and procedures are robust, in order to ensure that the Council selects the best candidates for the available positions and that those applicants are of good character, experienced and are professionally qualified where required. Also that the Council correctly processes staff leaving their employment to include accurate calculation of last pay including any outstanding holiday pay or debts to the Council and the issuing of the P45 documentation.

2.3.2 Summary of Findings

The HR function was bought back in house on 01 September 2021. The team structure for managing and maintaining this service has 8 Posts: an HR Manager, an HR Business Partner, a Senior HR Advisor, two HR Officers and two HR Advisors and one vacant post. From the 01/09/21 to the end of the 2021/22 financial year there were 64 leavers and 56 New Starters to the Council. At the time of the Audit testing there were 7 posts being advertised on the Council's Website.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- There are policies and procedures in place for Managers and Staff which are easily accessible via the staff intranet (TOM). They do require a refresh to bring them up to date which is currently being undertaken by a phased approach.
- Vacancies are being appropriately advertised / offered to staff on the 'at risk' registers.
- From the sample of advertised posts selected and reviewed; up to date job description and person specifications were provided. These are later saved within the successful candidates personnel file for future reference as and when required.
- There is an approved process in place for managers to follow to ensure that a P45/P46 has been completed; the employee is given pension information and a signed contract is in place.
- The eRecruitment system is a step-by-step system detailing every stage of the recruitment process. It is designed to ensure that a fair process is adopted and that all records can be managed and stored and that all employee checks are taken up and are satisfactory prior to the commencement of the employment.
- The leaver process in place is documented and working well.

Scope for improvement was however identified in the following areas:

- Whilst there is a documented 'approval to recruit' process in place evidence of this having occurred was not, whilst historically this was a management led process, having the HR function in-house would necessitate having this saved within the eRecruitment system to provide a complete audit trail.

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- In order to provide a more fair process to the 'internal candidates only' recruitment campaigns, consideration needs to be given for a set time frame for advertising the post as this was found to be sporadic, the minimum days being advertised was 4, the maximum was 19 and the average was 10.
- Whilst the eRecruitment Process provides separate stages for managers to follow in order to progress to an interview, a system is required to ensure all interview questions; scoring sheets; notes taken during the interview process are being retained on file for all candidates needs to be in place. Retention of these records needs to comply with GDPR and instructions on how/where to upload these will need to be added to the procedural notes.
- To ensure completion and consistency on managing the induction process all notes/checklists need to be centrally filed.
- Information relating to leavers being provided via the leaver survey needs to be formally fed back and exit interviews need to be implemented where applicable.

2.4 Thanet Community Lotto – Limited Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Thanet Community Lotto is fully compliant with requirements and financial controls are effective.

2.4.2 Summary of Findings

The Thanet Community Lottery was created in 2017 by Thanet District Council and is managed and run by an External Lottery Manager. The Council has been granted a remote operating licence by the Gambling Commission which include statutory conditions attached by virtue of the Gambling Act, the suite of general conditions attached to operating licences and the Code of Practice Provisions.

As at May 2022 there were 1,086 active users signed up to the Thanet Community Lotto and total lottery winnings have so far equated to £24,300 since 2017. Lottery tickets cost £1 each of which £0.60p from every ticket sold is donated to a good cause as chosen by the customer. A customer can either choose to donate their £0.60 per ticket to a local approved charity of their choice or to the generic 'Thanet Community Fund'. The lottery has helped generate an income of £22,825 towards the General Fund of Thanet District Council since 2017.

Since 2017 the lottery has generated a total of £54,928 made payable to 65 different registered good causes in the District of Thanet plus £42,959 to the Thanet Community Fund which has not yet been allocated to any good causes. The current balance of the Thanet Community Fund stands at £54,189 owing to a transfer of funds worth £11,230 authorised by the Financial Services Manager in June 2020.

The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- The Council has not formally adopted any policies relating to protection of children & vulnerable adults, fairness & openness, remote technical standards or corporate social responsibility and may therefore be non-compliant with 3.1 of the Code of Practice and Sections 24 and 82(1) of the Gambling Act 2005;
- The Council has not carried out a documented risk assessment for money laundering and terrorist financing in accordance with 12.1 of the suite of general conditions attached to operating licences under Section 75 of the Gambling Act;

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- Whilst the Council has worked to rectify the licensee change issues following the suspension of the lottery in September 2021, the Council needs to have put in place delegated authority from the licensing authority in accordance with 6.3 of the 'Promoting Society and Local Authorities advice published September 2014;
- Information is not currently stored or saved in a consistent, deliberate, coordinated or accessible way which makes it difficult for officers to take responsibility for certain actions which weakens governance more generally;
- There is not a formal training programme in place in accordance with licence condition 14.1; and
- The Thanet Community Fund (over £50k) has not yet been distributed and needs to be distributed transparently in order to protect the reputation of the Council.

Effective control was however evidenced in the following areas:

- The lottery has generated £54,928 made payable to 65 good causes within the Thanet area since the lottery began;
- The Finance Manager has received training and is the main point of contact with the External Lottery Provider;
- The accountancy and controls in place are working effectively; and
- The lottery submission process is working effectively.

2.5 EKS Housing Benefits Quarterly Testing 2021/22 Quarters 3 & 4 - Not Applicable

2.5.1 Audit Scope

Over the course of 2021/22 financial year the East Kent Audit Partnership completed a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.5.2 Summary of Findings

For the third and fourth quarters of 2021/22 financial year (October 2021 to March 2022) forty-five claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is now categorised as an error that impacts on the benefit calculation. However data quality errors are still to be shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

For this period forty-five benefit claims were checked none of the claims had a financial error or data quality error. For 2021/22 a total of seventy-five claims have been checked of which none had a financial error that impacted on the benefit calculation and none had a data quality error.

3.0. **FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

3.1 As part of the period's work, seven follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. The review completed during the period under review is shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding after follow-up	
a)	Equality & Diversity	Limited	Limited	C	0	C	0
				H	4	H	4
				M	3	M	1
				L	0	L	0
b)	Playgrounds	Reasonable	Reasonable	C	0	C	0
				H	6	H	4
				M	4	M	4
				L	3	L	3
c)	Street Cleansing	No	No	C	6	C	4
				H	2	H	1
				M	0	M	0
				L	0	L	0

3.2 Details of any individual Critical and High priority recommendations still to be implemented at the time of follow-up are included at Appendix 3 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance and Audit Committee.

The purpose of escalating high-priority recommendations which have not been implemented is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

a) Equality and Diversity - The recommendations outstanding within this Audit Progress Report demonstrate that the Council is not fully compliant with the Public Sector Equality Duty or the Equality Act 2010. The Council must approve a new Equality Policy and its equality objectives this year in accordance with the four year rule and in doing so the focus of the Council should be on improving governance over equality related policies, procedure and processes. Training forms an essential part of the compliance equation and this can only be improved through effective leadership and oversight.

c) Street Cleansing - The initial audit concluded that Management could have No Assurance in this area. Following completion of this follow-up review the opinion remains the same. The direction of travel is however positive with progress being evident around the key issue of the development of service standards. Once those standards have been approved, officers will be able to fully implement those standards which will also result in a number of the currently outstanding recommendations being implemented.

The development of new Service Standards is seen as significant progress and while those standards are yet to receive Cabinet Approval, this is anticipated to have been completed by the Autumn. That will then enable officers to ensure that standards expected of the Council are delivered to residents across the whole of the District.

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At the time of the original audit, the Council had one mechanical sweeper in service and at the time of this follow-up audit, the Council still has only one mechanical sweeper in service to work alongside the 8 manual operatives and zonal crews working in high footfall areas. Steps are being taken to ensure that the Council has 2 mechanical sweepers in service so that it has sufficient mechanical sweeping capacity to ensure that all areas across the whole of the district are subject to periodic mechanical sweeping.

A further follow-up review in this area will be undertaken in January 2023 by which time it is hoped that inspections will have resumed which can then result in the resumption of the reporting of performance indicators for street cleansing to Members.

4.0 WORK-IN-PROGRESS:

4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Absence Management, HMO Licensing, Complaints Monitoring, VAT, and Operational Services Vehicle Fleet Management.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

5.1 The 2022-23 internal audit plan was agreed by Members at the meeting of this Committee on 9th March 2022.

5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 1.

6.0 FRAUD AND CORRUPTION:

There are no known instances of fraud or corruption being investigated by the EKAP to bring to Members' attention at the present time.

7.0 UNPLANNED WORK:

All responsive assurance / unplanned work is summarised in the table contained at Appendix 1.

8.0 INTERNAL AUDIT PERFORMANCE

8.1 For the three months to 30th June 2022, 72.93 chargeable days were delivered against the target for the year of 330 days which equates to 22.09% plan completion.

8.2 The financial performance of the EKAP is on target at the present time.

8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures.

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- 8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service.

Attachments

- Appendix 1 Progress to 30th June 2022 against the agreed 2022-23 Audit Plan.
- Appendix 2 Definition of Audit Assurance Statements & Recommendation Priorities
- Appendix 3 Summary of Critical and High priority recommendations not implemented at the time of follow-up.
- Appendix 4 Summary of services with Limited / No Assurances yet to be followed up.
- Appendix 5 Balanced Scorecard of Performance Indicators

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PROGRESS TO DATE AGAINST THE AGREED THANET DISTRICT COUNCIL 2022-23 AUDIT PLAN – APPENDIX 1

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2022	Status and Assurance Level
FINANCIAL GOVERNANCE:				
Car Parking & Enforcement	10	10	0	Quarter 3
VAT	10	10	0	Quarter 3
HOUSING SYSTEMS:				
Housing Allocations	10	10	0	Quarter 4
HMO Licensing	10	10	0.38	Work-in-Progress
Tenant Health & Safety	10	10	0	Quarter 4
Leasehold Services	12	12	0	Quarter 2
Capital Programme/ Planned Maintenance	12	12	0	Quarter 4
Contract Letting Procurement Process	10	10	0	Quarter 3
GOVERNANCE RELATED:				
Digital/Cloud Computing	10	10	0.57	Work-in-Progress
Officers' Code of Conduct	10	10	0	Quarter 2
Complaints Monitoring	10	10	0.21	Work-in-Progress
Project Management	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	1.36	Work-in-Progress
s.151 Officer Meetings and Support	9	9	3.10	Work-in-Progress
Governance & Audit Committee Meetings and Report Preparation	12	12	3.19	Work-in-Progress
2023-24 Audit Plan and Preparation Meetings	9	9	0	Quarter 4
HR RELATED:				
Absence Management - Sickness, Annual and Flexi Leave	12	12	0.22	Work-in-Progress
COUNTER FRAUD:				
Counter Fraud & Corruption	10	10	0	Quarter 3
SERVICE LEVEL:				
Safeguarding	10	10	0	Quarter 3

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Community Safety	10	10	0	Quarter 3
CCTV	10	10	10.42	Finalised - No
Dog Warden & Environmental Crime	10	10	0	Quarter 3
Food Safety	10	10	10.08	Finalised - Substantial/No
Pollution/Contaminated Land	10	10	0.22	Work-in-Progress
Business Continuity/Emergency Planning	10	10	0	Quarter 4
Licensing	10	10	0.18	Quarter 2
Museums	10	10	0	Work-in-Progress
Ramsgate Harbour Accounts	5	5	0	Quarter 2
East Kent Opportunities	10	10	0	Quarter 3
Waste Vehicle Fleet Management	13	13	2.12	Work-in-Progress
Climate Change	5	5	0	Quarter 3
Employee Health and Safety	10	10	0	Quarter 4
OTHER:				
Liaison With External Auditors	1	1	0.22	Work-in-Progress
Follow-up Reviews	15	15	5.81	Work-in-Progress
FINALISATION OF 2020-21 AUDITS:				
Repairs & Maintenance	5	5	0.84	Finalised - Limited
Income, Bank Rec. & Cash Collection			9.18	Finalised - Substantial, Substantial & Limited
Maritime			1.29	Finalised - Reasonable
Recruitment			10.74	Finalised - Reasonable
Risk Management			1.90	Finalised - Reasonable
Thanet Community Lotto			9.75	Finalised - Limited
RESPONSIVE ASSURANCE:				
Corporate Leak Investigation	0	0	1.15	Finalised
TOTAL	330	330	72.93	22.09%

**PROGRESS TO DATE AGAINST THE AGREED EKS & CIVICA
AUDIT PLAN 2022-23**

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Review	Original Planned Days	Revised Planned Days	Actual days to 30/06/2022	Status and Assurance Level
EKS Reviews;				
Business Rates	15	15	0.17	Quarter 2
Housing Benefit DHPs	15	15	0	Quarter 3
Housing Benefit Testing	15	15	16.44	Finalised - N/A
Debtors	15	15	0	Quarter 4
ICT – Data Management	15	15	0	Quarter 4
ICT – Network Security	15	15	0	Quarter 3
KPIs	5	5	7.04	Finalised - Substantial
Payroll	18	18	1.22	Work in progress
Other;				
Corporate/Committee	8	8	1.98	Ongoing
Follow Up	6	6	0.43	Ongoing
Finalisation of 2021/22 Audits:				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
Total	128	128	28.50	22.27%

Definition of Audit Assurance Statements & Recommendation Priorities

Cipfa Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 3

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>Equality & Diversity - July 2022</i>		
<p>The Council should revisit and review its Equality Strategy and the Cabinet should approve a new Equality Policy during the course of 2022 in accordance with the Equality Act 2010. The new Equality Policy should: -</p> <ul style="list-style-type: none"> - renew the Council’s commitment to improving equality and diversity outcomes for staff and service users in Thanet; - include all its strategic equality related objectives (usually between three and four objectives - include the performance metrics linked to equality related objectives; - include how these objectives and performance will be monitored through the performance management process; - include roles and responsibilities for delivery and monitoring; and - include processes for meeting its reporting requirements annually. 	<p>Recommendation accepted.</p> <p><u>Proposed Completion Date & Responsibility</u></p> <p>Director of Law & Democracy (EC) - June 2022</p>	<p>Management Comment: Management has confirmed that <i>‘the policy has not been updated for some time. However, as there has not been any legislative changes, the view is that the policy does not need tweaking at this time. It was originally signed off some 3-4 years ago.’</i></p> <p>Auditor Comment: The initial audit was unable to verify that the policy had been approved by CMT or the Cabinet. In the interest of good governance and transparency, a new or reviewed policy needs to be approved by senior management and elected members. The policy published on the intranet does not include any of its appendices which include a copy of the template Equality Impact Assessment Form. This should also be produced online for management to view and use. Whether or not the original policy was approved or not, the Council must adopt a new policy this year as equality related objectives must be approved every four years in accordance with the Public Sector Equality Duty.</p>

		Recommendation Outstanding.
Staff should receive some form of training on how and when to complete EIAs.	<p>Recommendation accepted.</p> <p><u>Proposed Completion Date & Responsibility</u></p> <p>Director of Law & Democracy (EC) - March 2022</p>	<p>Management Comment: Management have confirmed that '3-4 years ago EIA training was delivered- initially in house and later an external came in for select people. There has not been an EIA training programme for some years.'</p> <p>Auditor Comment: It is positive that EIA training was initially delivered when the policy was introduced in 2018, however looking at this from an outcomes perspective, it was clear that refresher training is required.</p> <p>During the initial audit, three completed EIAs were examined when the Council introduced a major policy or strategy. One was not dated, one was completed correctly but one was completed but not documented at all. It is therefore advised that refresher training is a valid recommendation that could be used to help improve the quality of the EIA competition process.</p> <p>Recommendation Outstanding.</p>

<p>1. As a control, departments should be sent quarterly / annual reports on outstanding e-learning to ensure higher completion figures.</p>	<p>This is already in place. The organisation will promote e-learning modules and this will be discussed with senior management at CMT on 16th November 2021.</p> <p><u>Proposed Completion Date & Responsibility</u></p> <p>Director of Law & Democracy (EC) - June 2022</p>	<p>Management Comment: The Cloud and Data Developer (NF) confirmed that he receives updates from HR each day with the latest e-learning compliance figures. The current whole council completion rate is 53%.</p> <p>The report from HR automatically updates the individual team sheets where staff and managers can see their progress on a daily basis. This can be found on the intranet.</p> <p>It was confirmed that the Council has a program focusing on equality e-learning and this is a focus for December each year.</p> <p><i>In terms of governance, management take a summary of e-learning compliance to CMT quarterly, Comms have also pushed this forward by having a monthly campaign to remind staff of dedicated time for learning (incl e-learning), and there is training that has taken place for equality & diversity that is not captured within e-learning that has been a requirement as well.</i></p> <p>Auditor Comment: The recommendation has technically been implemented but the control over e-learning remains corporately weak which is demonstrated by the e-learning compliance rates which remain low. Heads of Service must be tasked with driving higher e-learning compliance and be held to account when e-</p>
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		<p>learning compliance rates are below an acceptable level as set and overseen by CMT.</p> <p>Compliance rate at 11/07/2022: 52%</p> <p>Recommendation Outstanding.</p>
<p>The Council should publish its Equality and Diversity Annual Report for 2019/20 and prepare to publish the annual report for 2020/21 by 31st January 2022. CMT should work with the new HR team and service directors to set clear roles and responsibilities for equality and diversity annual reporting for staff and for service users who share a protected characteristic and this should result in the publication of an annual report. The Council must publish information annually (by 31st January each year).</p>	<p>Recommendation accepted.</p> <p><u>Proposed Completion Date & Responsibility</u></p> <p>Director of Law & Democracy (EC) - June 2022</p>	<p>Auditor Comment:</p> <p>The Equality and Human Rights Commission published guidance that states that public authorities must:</p> <ul style="list-style-type: none"> - Publish gender pay gap information; - Publish information in relation to protected characteristics; and - Publish objectives at least once every four years. <p>This information must be published in a manner accessible to the public in accordance with the Public Sector Equality Duty.</p> <p>When searching the Thanet website the auditor was able to find: -</p> <ul style="list-style-type: none"> - Gender pay gap information; and - Equality objectives within the Equality Policy under 4.1 General Duties. <p>Information in relation to statistics relating to protected characteristics was not found, nor was the Equality and Diversity information above easy to find using the website and was</p>

		not in one place. Partially Implemented but marked as Outstanding for the purpose of audit reporting as it remains non-compliant with the Public Sector Equality Duty.
<i>Playgrounds - July 2022:</i>		
Produce a Policy which should be agreed and approved by members.	This will be covered under our service standards - Review service standards within Open Spaces to incorporate playgrounds. Proposed Completion Date 01 May 2022 Responsibility Open Spaces Manager (EP) and Interim Environmental Services Manager (PH)	Manager Comment: We have a Service Plan : Operational services which covers open spaces. Period April 2019 - Mar 2023 Auditor Comment: Strategies, policies and procedures need to be put in place regarding the provision and maintenance of playgrounds to ensure that the Council is in compliance with legislative requirements and to document the decision processes for day to day operations. Service Plans do not provide all the information. Outstanding.
Establish a monitoring report to summarise those findings from the Annual Inspection process and consequently any management decisions taken to rectify risks identified.	A monitoring report is already supplied to us by ROSPA as part of the yearly inspections which summarise any issues that need to be rectified in a priority order. No Further action Auditor comments - the recommendation is seeking evidence of the process that occurs after these tier 3 reports are received. How are	This is yet to be actioned. Outstanding

	<p>they being actioned, managed and monitored? If evidence of the process exists then please provide so it can be tested as part of the follow-up process.</p> <p>Proposed Completion Date 01 June 2022</p> <p>Responsibility Open spaces Manager (EP) and Interim Environmental Manager (PH)</p>	
<p>Review and modify the inspection sheet to ensure records are maintained of all inspectors on site, time spent on site and if photographic evidence was taken and sent to Supervisor.</p>	<p>These items could be incorporated within the digital form.</p> <p>To liaise with the Cloud and Data Developer (NF) in digital to ask if this can be achieved with the digital form.</p> <p>Proposed Completion Date 30 June 2022</p> <p>Responsibility Open Spaces manager (EP) and Interim environmental Manager (PH)</p>	<p>This is yet to be actioned.</p> <p>Outstanding</p>
<p>Ensure all photographic evidence of site visits is downloaded from Whatsapp; stored and linked to relevant inspection records</p>	<p>These items could be incorporated within the digital form.</p> <p>To liaise with the Cloud and Data Developer (NF) in digital to ask if this can be achieved with the digital form.</p> <p>Proposed Completion Date 01 May 2022</p> <p>Responsibility Open Spaces Manager (EP) and Interim Environmental Manager (PH)</p>	<p>This is yet to be actioned.</p> <p>Outstanding</p>

Street Cleansing - September 2022:

<p>The Council should develop and (have approved by Elected Members) a Service Plan for the Street Cleansing function which ensures that the Council meets its obligations under section 89(1) and (2) of the Environmental Protection Act 1990.</p>	<p>It is thought that this action should refer to a service standard not service plan. A service standard exists in draft form but completing and publishing this is low priority for the service against the backdrop of managing other service critical activities throughout the pandemic, Brexit transition and the current national shortage of HGV drivers.</p> <p>The absence of a published service standard does not stop the service from meeting its obligations. It is not accepted that there is evidence to show failures in compliance with section 89(1) and (2) of LPA1990</p> <p>Proposed completion date and responsibility:</p> <p>The service standard will be published in April 2022. - Environmental Services Manager</p>	<p>Draft Service Standards have been developed, but have not yet received Cabinet approval.</p> <p>Outstanding with a revised implementation date of 30/11/22</p>
<p>Reinstate inspections or areas across the District and report the outcome of inspections to Senior Management.</p>	<p>A plan has been developed with the digital team so that a google app can be used by non Operational Services TDC staff to score levels of cleanliness.</p> <p>Proposed completion date and responsibility:</p> <p>New system programmed to be implemented in June 2022 subject to approval - Environmental Services Manager</p>	<p>Testing established that inspections are not yet implemented. Work is currently under way to develop an independent inspection process involving officers from outside of the Street Cleansing function to give a more independent appraisal.</p> <p>Outstanding with a revised implementation date of 31/12/22</p>

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<p>Develop suitable and relevant performance indicators for the Street Cleansing Function and ensure that performance is reported in line with Corporate reporting requirements.</p>	<p>A new indicator has been drafted based on the percentage of randomly inspected sites which are mainly free from litter or refuse. This links with the plan mentioned in action 4 above.</p> <p>Proposed completion date and responsibility: April 2022 - Environmental Services Manager</p>	<p>Testing established that relevant performance indicators are included in the Service Standards and will be implemented when the Service Standards are approved.</p> <p>Outstanding with a revised implementation date of 30/11/22</p>
<p>Review and update all manual and mechanical sweeping rounds so that all streets are included for periodic sweeping by either a manual or mechanical sweeper .</p>	<p>It is agreed that the current road cleansing list should be reviewed and updated in readiness for the deployment of the replacement sweepers.</p> <p>Proposed completion date and responsibility: September 2022. - Environmental Services Manager</p>	<p>Testing established that mechanical sweeper rounds are currently being developed based on 2 mechanical sweepers. Once both are delivered, the new rounds will be implemented.</p> <p>Outstanding with a revised implementation date of 31/03/23</p>
<p>The Cleansing Supervisor should introduce random checks on mechanical sweepers to ensure that the operators have completed all the necessary checks, maintenance and cleaning of the mechanical sweeper they are operating.</p>	<p>All supervisors will be trained on the new sweepers and random checks will be done. A check sheet is in the first stages of being implemented.</p> <p>We have arranged for further driver training for the sweepers so that all operators are aware of the cleaning regime.</p> <p>Proposed completion date and responsibility: Feb 2022 - Environmental Services Manager</p>	<p>No additional checks have been implemented as only 1 sweeper continues to be in use. Recommendation will be implemented when the new mechanical sweepers go into service.</p> <p>Outstanding with a revised implementation date of 31/03/23</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVEL STILL TO BE REVIEWED – APPENDIX 4

Service	Reported to Committee	Level of Assurance	Follow-up Action Due
CCTV	July 2022	No	Work-in-Progress
Tenancy & Estate Management	July 2022	Reasonable/Limited	Work-in-Progress
Repairs & Maintenance	July 2022	Limited	Work-in-Progress
Thanet Community Lotto	September 2022	Limited	Work-in-Progress

Balanced Scorecard

Appendix 5

<u>INTERNAL PROCESSES PERSPECTIVE :</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Original Budget</u>
	Quarter 1		Reported Annually		
Chargeable as % of available days	88%	90%	<ul style="list-style-type: none"> ● Cost per Audit Day 	£	£
Chargeable days as % of planned days			<ul style="list-style-type: none"> ● Direct Costs 	£	£
CCC	25.59%	25%	<ul style="list-style-type: none"> ● + Indirect Costs (Recharges from Host) 	£	£
DDC	25.43%	25%	<ul style="list-style-type: none"> ● - 'Unplanned Income' 	£	Zero
TDC	22.09%	25%			
FHDC	24.66%	25%			
EKS	22.26%	25%			
Overall	24.11%	25%	<ul style="list-style-type: none"> ● = Net EKAP cost (all Partners) 		£
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> ● Issued ● Not yet due ● Now due for Follow Up 	12	-			
	12	-			
	19	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

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<u>CUSTOMER PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>
	Quarter 1		Quarter 1		
Number of Satisfaction Questionnaires Issued;	11		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	11		Percentage of staff holding a relevant higher-level qualification	36%	36%
	= 100 %		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	1.21	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%
• The audit report was 'Good' or better	100%	90%			
• That the audit was worthwhile.	100%	100%			

CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee 28th September 2022

Report Author	Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer
Portfolio Holder	Councillor Ashbee, Leader of the Council and Portfolio Holder for Corporate Performance and Risk
Status	For information
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.

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.

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 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. 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.

2. Background

- 2.1. The Risk Management Strategy 2022 was approved at the G&A committee on the 27th 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. Due to the latest reporting cycle coinciding with the summer holiday season and a period of flux within the management structure it has not yet been possible to complete all the service risk registers in accordance with the new reporting regime. Therefore, we have taken the decision to present this September report in the previous format, albeit with an expanded Annex 1; which covers the medium rated risks.
- 2.2. Officers will endeavour to produce a report inline with the new Risk Management Strategy (e.g. with risks categorised between current/future/emerging) for the G&A meeting on the 30/11/22; along with a refreshed look to the report, which should be more engaging and relevant for the committee.
- 2.3. The strategy defines corporate risks as *'those which could impact across the whole council including those relating to partnerships'*. 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 on a regular basis.

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.

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

- 3.2. 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.

- 3.3. **What risk management** - Risk Management can be defined 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)

- 3.4. 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".

- 3.5. **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.

- 3.6. 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.

- 3.7. 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.

- 3.8. 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'*

- 3.9. The report seeks to aid the committee to discharge these responsibilities.

4. Corporate risk register

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- 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 July 2022
- 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.

Ref	Description	Jul 22 Score	Sept 22 Score	Change
CR-03	Political Stewardship	16	16	No change
CR-12	Cyber Attack	16	16	No change
CR-13	Governance	16	16	No change
CR-01	Limited Resources	12	12	No change
CR-17	Inflation / Cost of living	16	16	No change
CR-09	Economic Resources/Environment	12	12	No change
CR-05	Homelessness	16	16	No change
CR-14	Berth 4/5	16	12	Reduced
CR-11	Covid-19	12	12	No change
CR-15	Environmental Act 2021	12	12	No change

- 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.

5. Highest-scoring risks

5.1. Political Stewardship (Impact 4, Probability 4)

The Council is now under Conservative control, however this came after a period of continued leadership change and so political stewardship remains a risk to the council. The council continues to pursue opportunities to support cross-party working and induction training for new members.

5.2. Cyber Attack (Impact 4, Probability 4)

The Council is becoming more and more aware of cyber attacks across the local government sector. This and recent attempts to send emails to staff from internal email addresses such as the Chief Executive's, further highlights the impending risk to internal systems.

At a time when the majority of staff are working from home due to the pandemic, 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 look at Cyber insurance to ensure that the Council can 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 we have been liaising with our risk management partners at our insurers and agreeing to look into risk management solutions with them in lieu of Cyber Insurance - further updates will follow

5.3. **Governance (Impact 4, Probability 4)**

Statutory Recommendations were received from the external auditors, Grant Thornton, in relation to governance matters and an extraordinary Council meeting agreed the recommendations.

Following the appointment of an Independent Monitoring Officer in December 2021 to address Grant Thornton's concerns, his recommendations were approved at the May 2022 Council meeting.

A new interim Chief Executive was subsequently appointed on 14 July 2022, whose remit it is to review and implement the recommendations of the Independent Monitoring Officer.

A timetable for delivery of those actions has been drawn up and whilst these are being implemented governance will continue to pose a high risk.

5.4. **Limited Resources (Impact 4, Probability 3)**

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

The draft quarter 1 budget monitoring report is currently forecasting an overspend of just under £1.8m for the General Fund in 2022/23 with the key areas of overspend being on services impacted by use or reduced income due to the cost of living crisis or the on-going recovery from Covid.

The Council are commencing the budget build process for 2023-24, this is against the background of high inflation and increased prices.

These scenarios create more uncertainty in allowing the Council to set a balanced budget especially with on-going unknowns around government finance settlements.

As in prior years this means that the Council are 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.

5.5. **Inflation/Cost Of Living (Impact 4, Probability 4)**

The UK economy is currently experiencing a 40 year high rate of inflation, with the Consumer Price Index hitting a 10.1% high in July 2022.

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 will be one of the key budgetary constraints to delivering a balanced budget for 2023/24.

This is particularly prevalent in the construction industry and could lead to a rationation of some schemes in order 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. The effect of the cost of living 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.

5.6. **Economic Resources/Environment (Impact 3, Probability 4)**

A combination of Brexit and Covid has also had a significant impact on the Council's supply chain.

For example, the combination of these factors has meant a shortage of HGV drivers and combined with the increased costs of products being imported via shipping containers, has created the perfect storm of increased prices and shortage of supplies. To mitigate this risk, the council has offered enhanced pay, via the form of market supplements, to ensure it can recruit and retain a sufficient number HGV drivers required to deliver its waste and recycling collection service.

5.7. **Homelessness (Impact 4, Probability 4)**

Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. There are additional pressures on Housing as the gap between supply and need increases and previously plans have been developed to ensure that this pressure is minimised. The council has reviewed and is delivering its homelessness strategy action plan, is regularly monitoring the levels of homelessness and has commissioned new services to address the increasing need for support. This work will continue. The council has also successfully bid for new government funding to support homelessness services locally.

However the Council is seeing another surge of homelessness across the district as a result of Covid and as a result of the cost of living crisis. The district has seen increased pressures on the local private rented sector, driving increases in average rent levels and resulting in a growing gap between rents and local housing allowances. In addition, with the eviction ban coming to an end on 1 June 2021 we are now seeing cases

progress through the courts, resulting in additional service and financial pressures. These pressures have made it much more difficult for the council to find suitable, affordable solutions for people facing homelessness in the private rented sector, resulting in an increased number of households living in temporary accommodation.

The financial pressure is currently estimated at up to £1m for 2022/23 based on current homelessness levels.

- 5.8. **Berth 4/5 (Impact 4, Probability 3):** The project has been delayed whilst an environmental impact assessment is developed to inform planning and marine licencing 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 project team including engineering and ecology consultants is progressing the EIA as quickly as possible following approval of the required additional funding. Early and regular engagement is taking place with statutory consultees where possible. The revised programme for project delivery indicates a May 2022 construction start subject to consents.

However these delays have resulted in a financial risk to the council due to extended berth outage. This has led to increased costs associated with the berth replacement contract and also potential pass through of extra/over costs from the customer for road haulage of aggregates until the new berth is ready for service.

- 5.9. **Coronavirus (Impact 4, Probability 3):** In 'normal' emergencies, local authorities and local resilience forums deal first with an emergency and then the Recovery – getting back to 'business as usual' (for example, when the flood waters recede, work takes place to repair any damage and to get people back into their homes). The Recovery from the Covid-19 Pandemic will be unlike any other in our lifetimes. The crisis has gone on for longer, been more extreme and will have more profound consequences than anything we have prepared for before.

However due to the unpredictable nature of Covid the reintroduction of some form of restrictions in the future remains a risk.

- 5.10. **Environmental Act (Impact 3, Probability 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 this year on consistency of household collections, Extended Producer Responsibility and a Deposit Return Scheme. Changes affecting household waste as a result of the new act are likely to be implemented in 2023. Whilst the act includes provision for funding and support to local authorities for the proposed changes, the implications for our vehicle fleet and resourcing, income associated with green waste and income from recycling and waste diverted from landfill are not yet clear.

7.0 Other risks

7.1 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**.

8. **Recommendation**

8.1.0 to approve the review of corporate risks

Contact Officer: [Chris Blundell \(Director of Finance\)](#)

Reporting to: [Colin Carmichael \(Interim Chief Executive\)](#)

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Annex 1

Risk Name	Risk Description	Original Score	Mitigating Actions	Score after mitigation
Burial Space	There are currently an estimated 12 months of remaining capacity if the current death / burial (circa 95 per annum) rate continues.	12	Re-use of ancient graves, in-fill in vacant spots which cannot be accessed by machinery so must be hand dug. Promote the use of Ramsgate Cemetery where there is opportunity to re-use existing graves and land being cleared providing new burial space.	9
Reduction in Supplier Base	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	12	Supplier base is managed centrally by Procurement who scrutinise rationale for Supplier Adoption and undertake a company credit check via Creditsafe. Process is undertaken electronically with the spending officer submitting appropriate forms.	9
Coastal safety information signage is inadequate	Risk of serious harm to the public. At some bays there is no safety signage, at others where it does exist it is out of date and insufficient Needs to be all year round at all bays whether lifeguarded or not. The RNLI have produced a signage review report with costs, recommendations. However no budget exists for this.	9	The project to install signs has commenced and is approximately 50% complete.	9
Jackey bakers park, ramsgate old workshop	The roof is falling apart, there are holes in the wall and the brickwork is falling down. This presents a risk to the public entering and potentially could cause serious harm.	16	The building has been fenced off to stop access and management is considering the longer term options to address the risk.	8
HAVS Monitoring	Risk of staff being exposed to Hand Arm Vibration Syndrome from using vibrating tools.	16	Staff tool usage is monitored to make sure the staff stay within their acceptable vibrations levels, in order to reduce over exposure and to make sure rotation is in constant use.	9

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			This is ongoing, data is constantly monitored throughout the use of vibrating tools, this is looked at on a daily basis, and staff are regularly monitored. If issues arise we act accordingly to resolve this issue the best way we can.	
External funding	The Council is reliant on external funding to deliver its regeneration plans, any change to this funding will impact on the Council's ability to deliver already identified projects. It is understood that the regeneration projects should not impact negatively on the Council financially.	8	The Council has robust plans in place for the projects, with some being scalable. Officers have a good relationship with the key team in the Department for Levelling Up, Housing and Communities in order to understand any changes to government funding.	8
Risk of harm to the public from irresponsible, uncontrolled use of powered watercraft such as jet skis.	Risk of serious injury/harm to the public from collision with one of these craft, either through collision between craft, craft hitting swimmers, entering bathing water or launching from sites that are not permitted. Currently no Coastal PSPO enforcement officers to enforce the coastal PSPO's put in place in 2021	12	Beach and Coast Manager recruited to start 12th September 2022. One of the roles tasks is to revisit the Water User Group policy and make changes for the 2023 season. Risk score could be reduced further with recruitment of coastal PSPO enforcement officers and Beach and Coast operative	9
Algae Slips and Trips (Cleaning)	Risk of serious harm to the public. Algae grows rapidly on smooth surfaces that are covered by the sea at high tide and exposed at low tide. The green algae is very slippery when wet. Algae can grow back in a few days.	12	Beach and Coast Services have procured a contract with Technical Services to clean slipways and step accesses that have been deemed highest risk according to risk assessment, these access points are cleaned every 4-6 weeks. Provide additional signage to warn the public that wet surfaces, particularly with green slime on them can be slippery. To mitigate the risk entirely, access points would need to be closed or the cleaning schedule extended at a cost of approximately £200,000 a year.	9