

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 13 November 2023
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett (Vice-Chairman), Coulling (Parish Representative), Cox (Chairman), Forecast, Harper, Jones, Kimmance, Knatchbull, Titchener (Parish Representative), Trzebinski and Wilby

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

<u>AGENDA</u>	<u>Page No.</u>
1. Apologies for Absence	
2. Notification of Substitute Members	
3. Urgent Items	
4. Notification of Visiting Members	
5. Disclosures by Members and Officers	
6. Disclosures of Lobbying	
7. To consider whether any items should be taken in private because of the possible disclosure of exempt information	
8. Minutes of the meeting held on 25 September 2023 - To Follow	
9. Any Questions on Notice from Local Residents	
10. Any Questions on Notice from Members	
11. Committee Work Programme 2023/24	1 - 2
12. External Audit	3 - 8
13. Annual Governance Statement Update and Corporate Code of Governance Refresh	9 - 36
14. Internal Audit Progress Report 2023/24	37 - 48

Issued on Friday 3 November 2023

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

15. Budget Strategy - Risk Assessment Update	49 - 67
16. Fraud and Compliance Team Report 2022/23	68 - 73
17. Independent Member	74 - 79
18. Treasury Management 2023/24 Mid Year Review	80 - 90
19. PART II	

To move that the public be excluded for the items set out in Part II of the Agenda because of the likely disclosure of exempt information for the reasons specified having applied the Public Interest Test.

**Head of
Schedule 12 A
and Brief
Description**

20. Exempt Appendix to Item 17 - Independent Member	1 – Relating to an Individual	91 - 98
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INFORMATION FOR THE PUBLIC

In order to ask a question at this meeting, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 9 November 2023). You will need to provide the full text in writing.

If your question is accepted, you will be provided with instructions as to how you can access the meeting.

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 9 November 2023). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899** or email committee@maidstone.gov.uk.

To find out more about the work of the Committee, please visit the [Council's Website](#).

2023/24 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Annual Governance Statement Update and Corporate Code of Governance Refresh	AGS	13-Nov-23	Governance	No	Angela Woodhouse	Angela Woodhouse
Fraud and Compliance Team Update	AGS	13-Nov-23	Officer Update	No	Georgia Hawkes	Zoe Kent
Internal Audit Interim Report 2023/24	AGS	13-Nov-23	Governance	No	Katherine Woodward	Katherine Woodward
2021/22 Statement of Accounts	AGS	13-Nov-23	Governance	No	Mark Green	Paul Holland
Treasury Management Mid-Year Review 2023/24	AGS	13-Nov-23	Governance	No	Mark Green	John Owen
Independent Member	AGS	13-Nov-23	Governance	No	Mark Green	Mark Green
Budget Strategy Risk Assessment Update	AGS	13-Nov-23	Officer Update	No	Mark Green	Mark Green
Update on Kent Model Code of Conduct	AGS	15-Jan-24	Governance	No	Claudette Valmond	Russell Fitzpatrick
Code of Conduct Matters - Update	AGS	15-Jan-24	Officer Update	No	Claudette Valmond	Russell Fitzpatrick
Housing Benefit Subsidy Claims 2021/22 and 2022/23	AGS	15-Jan-24	Governance	No	Georgia Hawkes	Zoe Kent
Information Governance Annual Report	AGS	15-Jan-24	Officer Update	No	Angela Woodhouse	Anna Collier/Georgia Harvey
Treasury Management, Investment and Capital Strategies 2024/25	AGS	15-Jan-24	Strategy Update	No	Mark Green	John Owen
External Auditor's Annual Report	AGS	15-Jan-24	Governance	No	Mark Green	Paul Holland
External Auditor's Progress Report and Sector Update	AGS	15-Jan-24	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	15-Jan-24	Officer Update	No	Mark Green	Mark Green

2023/24 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Annual Risk Management Report 2023/24	AGS	11-Mar-24	Governance	Yes	Katherine Woodward	Katherine Woodward
Internal Audit Charter Update	AGS	11-Mar-24	Governance	No	Katherine Woodward	Katherine Woodward
Internal Audit and Assurance Plan 2024/25	AGS	11-Mar-24	Governance	No	Katherine Woodward	Katherine Woodward
2022/23 Statement of Accounts	AGS	11-Mar-24	Governance	No	Mark Green	Paulk Holland
Budget Strategy Risk Assessment Update	AGS	11-Mar-24	Officer Update	No	Mark Green	Mark Green

Audit, Governance and Standards Committee

13 November 2023

External Audit

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report provides the committee with an update on progress with the audit of the 2021/22 and 2022/23 financial statements.

Purpose of Report

Noting.

This report makes the following recommendations to this Committee:

1. That the report be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	13 November 2023

External Audit

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance, Resources and Business Improvement
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance, Resources and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance, Resources and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year, and details the council's assets, liabilities and reserves at this date. The work of the external auditor aims to provide independent assurance over this document.	Director of Finance, Resources and Business Improvement
Staffing	No implications identified.	Director of Finance, Resources and Business Improvement
Legal	Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information. It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if appropriate accounting policies have been followed and whether there are concerns arising from the	Director of Finance, Resources and Business Improvement

	financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.	
Privacy and Data Protection	No implications identified.	Director of Finance, Resources and Business Improvement
Equalities	No implications identified.	Director of Finance, Resources and Business Improvement
Public Health	No implications identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	No implications identified.	Director of Finance, Resources and Business Improvement
Procurement	No implications identified.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	No implications identified.	Director of Finance, Resources and Business Improvement

2. INTRODUCTION AND BACKGROUND

2021/22 Statement of Accounts

- 2.1 The Council was originally required by statute to have its audited Statement of Accounts for the 2021/22 financial year approved by the Audit, Governance and Standards Committee by 30 November 2022. Draft accounts were presented to the Committee in July 2022 and the audit was due to start in August 2022, which would have made the November 2022 deadline achievable. However, in practice the audit did not start until January 2023.
- 2.2 The status of work on the audit was reported to the meeting of this Committee on 25 September. At that stage, there were two principal matters holding up completion of the audit, as follows.

1. Updated valuation of pension assets and liabilities

When the Council's draft 2021/22 accounts were prepared, the most recent triennial valuation of the pension scheme available was that carried out as at 31 March 2019. The draft accounts therefore incorporated values for the pension assets and liabilities based on a report (known as the IAS19 report) from the scheme actuary in which the 2019 values were rolled forward to 2022. Subsequently, we received the results of the 31 March 2022 LGPS triennial valuation, based on actual 31 March 2022 data. Grant Thornton requested that we go back and seek an updated IAS 19 report from the actuary, given that the delay in the audit meant that more recent information was now available. This IAS 19 report was then reviewed by Grant Thornton and gave rise to a number of queries.

2. Further information requested from the Council's external valuer

Grant Thornton had raised further queries about valuations of property, plant and equipment, following their original very detailed requests made in February 2023. This area is being given a very high priority generally by auditors and we have had to react to successive rounds of detailed questions.

Nevertheless, in September Grant Thornton indicated that they hoped to be able to sign off the accounts in time for them to be presented to the November meeting of this Committee.

- 2.3 Members of this Committee expressed concern at the 25 September meeting about the ongoing delays to the audit. They asked that Grant Thornton be informed that the Committee expected full audited accounts for 2021/22 in time for its November 2023 meeting. If the Director of Finance, Resources and Business Improvement was not satisfied with the information provided as at the end of October, he was to convene an emergency meeting of the Committee.
- 2.4 As at the time of preparing this report, the audit is still not complete. In particular, it has been affected by a further delay, arising from a similar issue to that described above relating to pensions. Because the audit has been delayed, there is now further information available as at 31 March 2023 relating to property, plant and equipment. Grant Thornton have asked us to take the 31 March 2023 valuations of certain assets, roll these back to 31 March 2022 using an appropriate index, and adjust the accounts accordingly.
- 2.5 These valuations affect assets which are used for operational purposes, and are likely to remain in the Council's ownership for the foreseeable future. Accordingly, an alteration in their value in the accounts is of no practical impact. Furthermore, valuations do not impact the Council's statutory reserves, so there is no impact on the metrics used when setting a budget or determining the Council's formal financial standing.
- 2.6 We are providing Grant Thornton with amended accounts to reflect these adjustments, and we hope that they will be able to review them and report back to the Committee in time for the meeting on 13 November. Further information will be provided to members as soon as it becomes available.

2022/23 Statement of Accounts

- 2.7 The Council was required by statute to have its audited Statement of Accounts for the 2022/23 financial year approved by the Audit, Governance and Standards Committee by 30 September 2023. This was a tighter deadline than for 2021/22, as the latest iteration of the Accounts and Audit Regulations envisaged accounts preparation getting more up to date following the Covid 19 pandemic. Unfortunately, the backlog of audit work nationally means that only five local authorities across the whole of England have had audits completed by the statutory deadline of 30 September.
- 2.8 The Committee has already seen draft unaudited accounts for 2022/23, as they were presented to the Committee in July 2023. We expect that Grant Thornton will start their audit in January 2024, with a view to accounts being brought to the Committee at its March 2024 meeting.
- 2.9 Although this is not a satisfactory position, Maidstone is therefore in the same position as the vast majority of councils.
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3. AVAILABLE OPTIONS

- 3.1 Committee members are asked to note this report.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The report is for noting only.
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5. RISK

- 5.1 Risks have been considered with reference to the Council's risk management framework. There are no direct financial or regulatory risks arising from failing to complete the audit. However, there is a potential reputational risk for the Council arising from delays in signing the accounts.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details were published on the Council's website for the 2021/22 accounts and will be published for the 2022/23 accounts when the audit commences.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 To be discussed at the meeting.
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8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

13 November 2023

Annual Governance Statement – Mid-Year Update and Code of Corporate Governance Refresh

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Director	Angela Woodhouse, Director of Strategy, Insight and Governance
Lead Officer and Report Author	Angela Woodhouse, Director of Strategy, Insight and Governance
Classification	Public
Wards affected	All

Executive Summary

This report provides the Committee with an update on those matters identified in the Annual Governance Statement for 2022-23 as requiring action. The report also includes an updated version of the Local Code of Corporate Governance for approval

Purpose of Report

Noting and decision.

This report makes the following recommendations to this Committee:

- a) That the update on progress with the current Annual Governance Statement Action Plan, at Appendix A, be noted; and

- b) The Updated Local Code of Corporate Governance at Appendix B be approved.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	13 November 2023

Annual Governance Statement – Mid-Year Update and Code of Corporate Governance Refresh

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Effective corporate governance arrangements ensure the Council’s priorities are understood and delivered.</p>	Director of Strategy, Insight and Governance
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>Effective corporate governance arrangements ensure the Council’s cross cutting objectives are understood and delivered.</p>	Director of Strategy, Insight and Governance
Risk Management	The most significant risks from the Corporate Risk Register are included within the action plan in the Annual Governance Statement.	Director of Strategy, Insight and Governance
Financial	Carrying out the actions identified in the action plan helps to ensure that the Council maintains high governance standards.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Director of Strategy, Insight and Governance
Legal	Section 6(1) of the Accounts and Audit	Monitoring Officer and

	<p>Regulations 2015 requires all local authorities to:</p> <p>a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and</p> <p>(b) prepare an annual governance statement;</p> <p>Under the Council's Constitution one of the functions of the Committee is to oversee the production of the Council's Annual Governance Statement. The Annual Statement demonstrates measures are in place to ensure good governance arrangements which enable the Council to meet its statutory requirements.</p>	MKLS Team Leader (Planning)
Privacy and Data Protection	<p>Maintaining high standards in relation to privacy and data protection have been identified in the Annual Governance Statement as a key part of the governance framework and carried forward into the action plan and update.</p>	Corporate Insight, Communities and Governance team
Equalities	<p>Good governance will ensure the Council is adhering to the public sector equality duty. The recommendations do not propose a change in service therefore will not require an equalities impact assessment</p>	Equalities & Communities Officer
Public Health	No implications	Public Health Officer
Crime and Disorder	No implications	Director of Strategy, Insight and Governance
Procurement	No implications	Director of Strategy, Insight and Governance
Biodiversity and Climate Change	Environmental impact is included in the review of the governance arrangements	Biodiversity and Climate Change Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 The Annual Statement of Corporate Governance for 2022-23 was considered and approved by the Audit Governance and Standards Committee in July 2022 before being signed by the Leader and Chief Executive. The statement contained an Action Plan for 2023-24. This report provides an update on the progress made against the Action Plan as set out in Appendix A.
- 2.2 The actions outlined in Appendix A arose from areas identified in the corporate governance statement as requiring additional action to maintain the Council's governance standards.
- 2.3 Several areas were identified for action including:
- Key Corporate Risks
 - Review of the Constitution
 - Training for Councillors and Officers to prepare for a four yearly election cycle
 - Nolan Principles refresh and Carbon Literacy Training for Members
 - Reviewing and Updating the Workforce Strategy
 - Ensuring public and stakeholder engagement on the Town Centre Strategy
- 2.4 Progress has been made across all actions as outlined in Appendix A. Introducing Triple Bottom Line accounting is an accounting framework which draws the attention of decision makers to include social, environmental factors alongside financial factors when making decisions. This can be summarised as the three Ps: People, Planet and Profit. The idea was instigated by the Leader and officers have begun progressing work to create a framework, many tools are already in place to ensure we have balanced decision making. This will bring those together alongside training to ensure we make decisions that are in the best interest of people, the planet and financially sound (profit).
- 2.5 Corporate Risks are regularly reviewed by the Corporate Leadership Team and Councillors as part of the quarterly financial and performance monitoring reports. Controls have been put in place to mitigate risk, however there remains a great deal of uncertainty.
- 2.6 The Workforce Strategy was overdue for a refresh/rewrite, a workshop has been held with the Wider Leadership Team with a particular focus on the workforce of the future and the way we work and plan to work, addressing issues such as recruitment and retention, productivity and culture as well as our role as an anchor institution in the Borough.
- 2.7 Democracy and General Purposes are reviewing the arrangements for Overview and Scrutiny and Policy Advisory Committees in light of the reduction in Councillors in 2024 and whether the current arrangements could be improved. To start the work a Member workshop has been scheduled for the 20 November 2023 to feed into a discussion and review

by Democracy and General Purposes at their meeting that evening. The review will look at how we ensure decision making is transparent, inclusive and effective as well as its burden in terms of Councillor time and resource.

- 2.8 One session has been held for Councillors on Carbon Literacy and the feedback was positive from those who attended, in-line with feedback on timing of training and Member availability we are organising a second session on a Saturday in the new year. Training has also been organised on the Nolan principles for 1 February 2024 as an evening in-person session.

Code of Corporate Governance Update

- 2.9 Annually the Code of Corporate Governance is refreshed to ensure it remains up to date. The updated code is attached at Appendix A. Tracked changes are shown on the document, changes reflect an update to plans, policies and the Council's values for staff.
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3. AVAILABLE OPTIONS

- 3.1 The Committee could decide not to consider the Action Plan update provided at Appendix A, however the Action Plan is a key part of the Committee's governance remit. The Committee can also request further information to seek assurance on the progress of the Action Plan if required. The Committee is asked to review and agree the refreshed code of governance.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 As stated in section 3.1 considering the Action Plan and code of corporate governance is a key part of the Committee's governance remit. The Committee is asked to note the update provided on the actions developed as a result of the annual review of governance and approve the refresh of the code following officer review.
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5. RISK

- 5.1 Effective governance mitigates risk, the action plan includes key corporate risks which are also reported to Policy Advisory Committees and the Cabinet on a quarterly basis.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The Committee is invited to provide feedback on progress with the Action Plan.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 This report has been provided to update the Audit, Governance and Standards Committee and will be publicly available via the Committee papers on the Council's website. Any recommendations for further action by the Committee in regard to the Action Plan will be carried forward.
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8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Annual Governance Statement Action Plan Update
 - Appendix B: Updated Local Code of Corporate Governance
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9. BACKGROUND PAPERS

None.

Annual Governance Statement Action Plan 2023-24 – Update

Corporate Governance Area	Lead Officer	Update
Introduce Triple Bottom Line accounting for decision making	Director of Strategy, Insight and Governance and Head of Finance	In progress. Draft action plan and social value measures being developed and tested, at the appropriate time will be taken through Corporate Services Policy Advisory Committee.
Implement the Local Insight system providing access to a wide range of data sets borough wide to neighbourhood level.	Director of Strategy, Insight and Governance	The Local Insight System is in place and work has begun to share information with managers across the organisation and external partners on the benefits of the system.
Ensure public and stakeholder engagement on the Town Centre Strategy.	Chief Executive and Director of Strategy, Insight and Governance	An update on the Town Centre Strategy will be given to Cabinet in December. Various stakeholder activities have happened including meetings with the user group and one to one meetings. Once the Town Centre Strategy is approved for consultation a full range of activities will be scheduled to ensure wide public engagement.
Review and update the Workforce Strategy	Director of Strategy, Insight and Governance with the Head of Human Resources	The Strategy will be coming to Committee in the new year, a workshop has been held with the wider leadership team to aid its development.
Review of the constitution beginning in Autumn 2023	Democracy and General Purposes Committee	Democracy and General Purposes maintain a regular review of the constitution with an in-depth look at the Overview and Scrutiny and

		Policy Advisory Committee Arrangements including a Member workshop planned for 20 November 2023.
Training for Councillors and Officers to prepare for all out elections and a four yearly term of office in 2024	Director of Strategy, Insight and Governance	The LGA will be running workshops with Councillors and Officers in November.
Training for Councillors on the Nolan Principles and Carbon Literacy Training	Director of Strategy, Insight and Governance	One session of Carbon literacy training has been held for members with a further session planned for a Saturday in the coming months to enable more members to attend. A briefing on the Nolan Principles has been organised for 1 February 2024.
Corporate risk - General Financial Uncertainty Unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation and contractor costs and deteriorating economic environment	Director of Finance, Resources & Business Improvement	The Committee have been provided with an update on risks to the Budget by the Director of Finance, Resources and Business Improvement on this agenda, a number of risks and mitigations are set out in that report.
Corporate risk - Greater challenge or failure for a general election in the next three years Elections Act 2022 implications in terms of Voter ID, Postal Votes and Overseas Voters.	Chief Executive and Director of Strategy, Insight and Governance	Key staff have undertaken training on the changes. The team are analysing risks to plan for mitigation including looking at additional communication with householders in the Borough and earlier briefings for Candidates and Agents.
Corporate risk - Significant changes in construction costs which may also result in a contractor insolvency as they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in their supply chain.	Director of Regeneration & Place	This risk is being actively managed by the following means: <ul style="list-style-type: none"> A specialist internal team has been created to lead on all housing capital projects, "New Business & Housing

<p>Inflation continues to rise and a significant economic event (e.g., further pandemic impacts, BREXIT, supply chain issues)</p>		<p>Development, so our expertise as a client continues to improve.</p> <ul style="list-style-type: none"> • This new team has appointed a single firm to act as our Employer’s Agent on all schemes from now, on, plus a single architect to work alongside the, so we start standardising our scheme designs to drive efficiencies in build costs. • The client team work closely with the internal procurement team, and in selections put an increased focus on quality versus price in terms of the award of tenders. • The client team work closely with Finance colleagues to assess the financial stability of our contractors, both pre and post contract award. • The Employer’s Agent actively monitors work in progress on site, to spot for negative trends in terms of quality or pace of workmanship, which are often pre-cursors to financial stability issues starting to become known.
<p>Corporate risk - Housing pressures increasing on the Council the broader housing and cost of living crisis</p>	<p>Director of Regeneration & Place</p>	<p>This risk is being actively managed by: -</p> <ul style="list-style-type: none"> • Increased capital investment of the Council’s own temporary accommodation portfolio. • The exploration of a private sector leasing scheme to secure further homes for Temporary Accommodation. • The Council is making good progress with its 1,000 Affordable Homes Programme,

		<p>and now has purchased land sufficient for around 400 residential plots in the first 18 months since the project was launched.</p> <ul style="list-style-type: none">• The Council is also growing its private rented sector portfolio within Maidstone Property Holdings Limited, which further alleviates housing pressures across the borough.• The Council continues to operate its homelessness services, face-to-face through our community asset at Trinity Place.• The Council is now operating three different community larder projects at three of the most deprived postcode areas in the borough.
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Maidstone Borough Council

Local Code of Corporate Governance

Updated ~~June~~ November 2023

Introduction

The International Framework: Good Governance in the Public Sector states that

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

Maidstone Borough Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance.

Our Local Code sets out the framework within which we conduct our business and affairs and the governance structure we have in place. Whilst this code sets out principles, processes and policies, it is the application of the framework that will demonstrate good governance.

Purpose of the Local Code of Corporate Governance

Governance is about how we ensure we are doing the right things, in the right way, for the right people, in a timely inclusive, open, honest and accountable manner.

Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Maidstone Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This code sets out how we meet these requirements, how we conduct our business and affairs

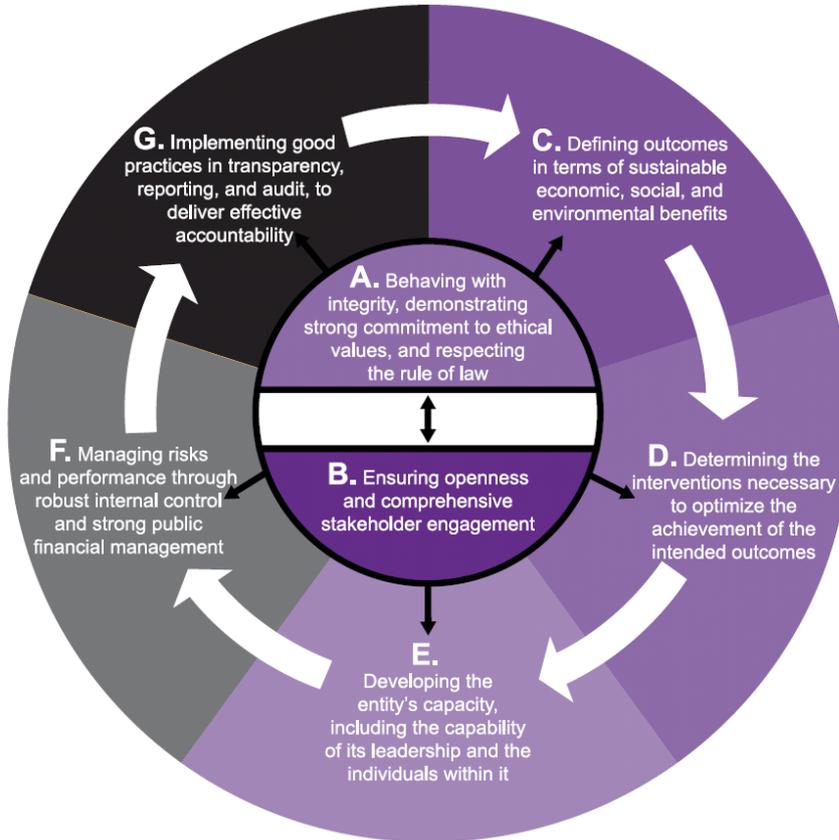
The Governing Body

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. In England, the Local Government Act 2000 introduced new governing structures for all local councils, clarifying responsibility for making decisions and establishing a scrutiny role. The Localism Act 2011 amended the provisions relating to Executive Arrangements and allowed local authorities to return to decision-making by committees if they so resolved.

At the Annual Meeting in May 2022, Maidstone Borough Council adopted an Executive Model of Governance. This model comprises a Leader and Executive advised by four Policy Advisory Committees. One Overview and Scrutiny Committee is in place, this also undertakes Crime and Disorder Reduction Overview and Scrutiny Functions. In addition, there are committees that deal with licensing, planning, audit, governance and standards, democracy and other regulatory matters.

The Seven Principles

In order to achieve good governance we need to demonstrate that our governance structures comply with the principles contained within the Delivering Good Governance in local Government Framework 2016.



Annual Review and Reporting

To comply with the principles of good governance we must ensure that systems and processes are continually monitored and kept up to date. An annual review of the Council's Corporate Governance arrangements will be carried out using the guidance contained in the CIPFA/SOLACE Framework. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future. The results of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive. It will be submitted to the Audit, Governance and Standards Committee for consideration and review.

Actions and behaviours taken by the Council that demonstrate good governance

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principle	Actions and behaviours	Evidence
Behaving with Integrity	<ul style="list-style-type: none"> We ensure that councillors and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation We ensure that councillors take the lead in establishing values for the organisation and its staff and that they are communicated and understood. Building on the Seven Principles of Public Life (the Nolan Principles) We lead by example and include integrity as one of our corporate values on our competency framework We demonstrate, communicate and embed the values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<ul style="list-style-type: none"> Councillor Code of Conduct and training for Councillors on the code <u>included in induction</u> <u>Officer Code of Conduct</u> <u>Constitution</u> <u>Complaints Procedure and Annual Report</u> <u>Counter Anti-Fraud and Corruption Policy & Strategy</u> Equalities Policy Whistle-blowing charter Corporate Values - <u>we work together, respect everyone, develop and grow, make a difference and care.</u>(Service, Teamwork, Responsibility, Integrity, Value and Equality) Internal Staff Surveys One to Ones evidenced on clear review with documented targets and deadlines and actions Democracy and General Purposes Committee Audit Governance and Standards Committee Overview and Scrutiny Committee Staff Handbook Emergency Plan Business Continuity Plans

Sub Principle	Actions and behaviours	Evidence
<p>Demonstrating strong commitment to ethical values</p>	<ul style="list-style-type: none"> • We establish, monitor and maintain the organisation's ethical standards and performance • We underpin personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation • We develop and maintain robust policies and procedures which place emphasis on agreed ethical values • We ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<ul style="list-style-type: none"> • <u>Strategic Plan</u> • <u>Constitution</u> • Human Resources Policies • Staff Handbook • Induction Process • Register of Interests • Register of gifts and hospitality • Staff and Managers' Forums • Equalities Policy • <u>Whistleblowing Policy</u> • <u>Contract Procedure Rules</u>
<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> • We ensure councillors and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations • We create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • We strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders • We deal with breaches of legal and regulatory provisions effectively • We ensure corruption and misuse of power are dealt with effectively 	<ul style="list-style-type: none"> • Monitoring Officer Role • Internal Audit • External Auditors • Complaints process including referral to the Local Government Ombudsman • Audit, Governance and Standards Committee • Appraisals for Chief Executive and Directors and Regular Monthly Check-ins with all staff using clear review • Code of Conduct for Councillors and Officers • <u>Counter Anti</u>-fraud and Corruption Policy

Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub Principle	Actions	Evidence
Openness	<ul style="list-style-type: none"> • We ensure an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness. • We make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. • We provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. • We use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	<ul style="list-style-type: none"> • Strategic Plan • Communication and Engagement Strategy • Committee work programmes, agenda and minutes • Council Website • Formal consultation processes • Community and voluntary sector representation on Partnership Boards • Freedom of Information publication scheme • Report Templates include options appraisal, risk and consultation • Staff and Councillor Codes of Conduct • Access to Information Procedure Rules • Part II Guidance for Officers for confidential and exempt reports • Public interest test application • Forward Plan produced for all Executive-Cabinet Decisions
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • We effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and • We develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • We define the purpose, objectives and intended outcomes for each stakeholder relationship 	<ul style="list-style-type: none"> • Safer Maidstone Partnership and Strategy • Health and Wellbeing Board • Community Safety Unit • Consultation processes • Council Website

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> • We use formal and informal consultation and engagement to determine the most appropriate and effective interventions 	<ul style="list-style-type: none"> • Anchor Institutions Meeting and Regular Communication
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> • We establish a clear policy on the type of issues that the organisation will consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. • We ensure that communication methods are effective and members and officers are clear about their roles with regard to community engagement. • We encourage, collect and evaluate the views and experiences of communities, residents, businesses service users and organisations of different backgrounds including reference to future needs. • We have feedback mechanism in order to demonstrate how their views have been taken into account. • We balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • We take into account of the interests of future generations of tax payers and service users. 	<ul style="list-style-type: none"> • Strategic Plan published on website • External Auditor provides an annual organisational assessment of the Council's performance through the Value for Money conclusion • Council Website • Council minutes and agendas available on website • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Satisfaction Surveys • Freedom of Information publication scheme • Statement of Community Involvement • Consultation Processes • Strategic Plan 2019-2045 • Local Plan • Councillor Access to Services Review

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Sub Principle	Actions	Evidence
Defining Outcomes	<ul style="list-style-type: none"> • We have a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions. • We specify the intended impact on, or changes for, stakeholders including residents, businesses and service users. • We deliver defined outcomes on a sustainable basis within the resources that will be available. • We identify and manage the risks to the achievement of outcomes. • We manage service users’ expectations effectively with regard to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> • Strategic Plan • <u>Committee work programmes</u> • <u>Cabinet Forward Plan</u> • Corporate report template requires information explaining the legal and financial implications of decisions • Community Safety Unit • Housing Strategy • Waste Strategy • 10 Year Parks Plan • Biodiversity and Climate Change Strategy • Temporary Accommodation Strategy • Risk Management Framework & outline processes for identifying and managing risk • Regular consideration of risk by Audit, Governance and Standards Committee • Corporate report template contains ‘risk implications’ • Staff Survey

Sub Principle	Actions	Evidence
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • We consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. • We take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints. • We determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. • We ensure equality of access. 	<ul style="list-style-type: none"> • Strategic Plan • Committee work programmes • Formal consultation arrangements • Economic Development Strategy • Medium Term Financial Strategy • Safer Maidstone Strategy • Local Plan • Waste and Recycling Strategy • Health and Wellbeing Action Plan • Equality Policy • Biodiversity and Climate Change Working Group

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principle	Actions	Evidence
Determining interventions	<ul style="list-style-type: none"> • We ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and include the risks associated with those options. • We ensure best value is achieved however services are provided. • We consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> • Corporate report template requires information explaining the legal and financial implications of decisions • Options appraisal included in all committee <u>and Cabinet</u> reports for decision • Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required • Council Website • Consultation processes • Quarterly performance management reports
Planning interventions	<ul style="list-style-type: none"> • We establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets. • We engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. • We consider and monitor risks facing each partner when working collaboratively including shared risks. • We ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. • We establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. 	<ul style="list-style-type: none"> • Corporate Planning Timetable • Strategic Plan • Service Plans • Quarterly Monitoring Reports • Contract Monitoring Arrangements • Performance Reports aligned to <u>Corporate Strategic</u> Plan priorities • Medium Term Financial Strategy • Capital Programme • Value for Money judgement by External Auditor

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> • We ensure capacity exists to generate the information required to review service quality regularly. • We prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan. • We inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • We ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. • We ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • We ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. • We ensure the achievement of 'social value' through service planning and commissioning. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Policy • Procurement Standing Orders • Action Plans developed in response to external audit and inspections • Value for Money judgement by external auditor • Budget Consultation

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub Principle	Actions	Evidence
Developing the entity's capacity	<ul style="list-style-type: none"> • We review operations and performance on a regular basis to ensure their continuing effectiveness and enable organisational learning. • We improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently. • We recognise the benefits of partnerships and collaborative working where added value can be achieved. 	<ul style="list-style-type: none"> • Corporate Planning Timetable • Budget Setting Process • Service Plans • Regular one to ones and reviews of development and training needs • Developing Everybody Competency Framework used to identify top performers for stretch • Mid Kent Services Partnership • Learning and Development Programme • Standing arrangement with temporary staffing providers to help manage fluctuations in capacity demand
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • We clarify roles and responsibilities of members and management at all levels. • We develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. • We publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. • We ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles. • We develop the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks. 	<ul style="list-style-type: none"> • Job descriptions and person specifications produced for all posts • Recruitment and appointment policies and procedures • Informal Cabinet • Councillor workshops and briefings • Democracy and General Purposes Committee • Comprehensive learning and development programme for officers and councillors • Corporate Workforce Strategy • Staff surveys • HR Policies and Guidance on intranet • Member and Staff induction

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> • We ensure that there are structures in place to encourage public participation. • We hold staff to account through regular performance reviews which take account of training or development needs. • We ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	<ul style="list-style-type: none"> • Check-ins held monthly with staff • Annual Health and Wellbeing week and regular updates to staff

Principle F - Managing risks and performance through robust internal control and strong public financial management

Sub Principle	Actions	Evidence
Managing Risk	<ul style="list-style-type: none"> • We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making. • We implement robust and integrated risk management arrangements and ensure that they are working effectively. • We ensure that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Risk Management Framework & outline processes for identifying and managing risk Strategic Risk Register in place and reviewed by Leadership team • Directorate and Service level risk registers in place and reviewed monthly • Corporate report template contains 'risk implications' • Audit Governance and Standards Committee reviews risks regularly • Corporate Services PAC regularly reviews all high risks • All risks are assigned a risk owner responsible for managing the risk •
Managing Performance	<ul style="list-style-type: none"> • We monitor service delivery effectively including planning, specification, execution and independent post implementation review. • We make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • We ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions 	<ul style="list-style-type: none"> • Performance Reports aligned to Strategic Plan priorities • Quarterly Monitoring Reports • Contract Monitoring Reports • Corporate report template requires information explaining the legal and financial implications of decisions • Corporate report template contains risk implications

Sub Principle	Actions	Evidence
	<p>are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <ul style="list-style-type: none"> • We provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • We ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements) 	<ul style="list-style-type: none"> • Monthly spend/budget reports sent to all budget holders • Quarterly workforce reports
Robust Internal Control	<ul style="list-style-type: none"> • We align the risk management strategy and policies on internal control with achieving the objectives. • We evaluate and monitor the authority's risk management and internal control on a regular basis. • We ensure effective counter fraud and anticorruption arrangements are in place. • Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. • We ensure an audit committee or equivalent group or function which is independent of the decision making committees provides further assurance regarding arrangements for managing risk and maintaining an effective control environment 	<ul style="list-style-type: none"> • Risk Management Policy & Guide in place and reviewed annually • Corporate Risk Register in place and reviewed by Leadership team • Service level risk registers in place • CounterAnti-Fraud and Corruption Policy • Audit Governance and Standards Committee reviews the effectiveness of risk arrangements • Corporate Services PAC regularly reviews all high risks • • Corporate Information Management and Governance Groups
Managing Data	<ul style="list-style-type: none"> • We ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. • We review and audit regularly the quality and accuracy of data used in decision making and performance monitoring. • We ensure effective arrangements for sharing data with other bodies are in place 	<ul style="list-style-type: none"> • Communication and Engagement Strategy • Information Management Group and action plan • Freedom of Information publication scheme • Ongoing monitoring of Data Protection Act / Freedom of Information compliance

Sub Principle	Actions	Evidence
Strong public financial management	<ul style="list-style-type: none"> • We ensure financial management supports both long term achievement of outcomes and short term financial and operational performance. • We ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> • Strategic Plan • Medium Term Financial Strategy • Budget setting process • Procurement Policy • Procurement Standing Orders • Value for Money judgement from the External Auditor • External Auditors' Annual Audit letter

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub Principle	Actions	Evidence
Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Council website accessibility statement • Communication and Engagement Strategy • Budgets and spending published on website • Senior Officer remuneration published on website • Clear roles and responsibilities in relation to access to information in the Constitution
Implementing good practices in reporting	<ul style="list-style-type: none"> • We report at least annually on performance, value for money and the stewardship of its resources. • We ensure members and senior management own the results. • We assess the extent to which the principles contained in the Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance in action • We ensure that the Framework is applied to jointly managed or shared service organisations as appropriate. • We ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities. 	<ul style="list-style-type: none"> • Publication of Annual Report and Statement of Accounts on website • Annual Governance Statement produced and published on website • Local Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles • Documents are scrutinised and approved by Leadership Team, Service Committees and Audit Committee prior to publication • Performance information and reports are published on the website and reported to Committees

<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> • We ensure that recommendations for corrective action made by external audit are acted upon. • We ensure an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon. • We welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. • We gain assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. • We ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within. • The Head of Audit Partnership presents an annual report to Audit, Governance, Standards Committee to inform members of Internal Audit activity that has taken place during the year • Annual Governance Statement produced and published on website
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Audit Governance and Standards Committee

13 November 2023

Internal Audit Progress Report 2023-24

Timetable

<i>Meeting</i>	<i>Date</i>
Audit Governance and Standards Committee	13 th November 2023

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Audit Governance and Standards Committee
Lead Head of Service	Katherine Woodward – Head of Mid Kent Audit Partnership
Lead Officer and Report Author	Katherine Woodward – Head of Mid Kent Audit Partnership
Classification	Public
Wards affected	All

Executive Summary

This report summarises the work towards completing the 2023/24 Audit and Assurance Plan, agreed by this Committee in March 2023. It also provides an update on the changes within the resources of the Mid Kent Audit Partnership.

Purpose of Report

Noting

This report makes the following recommendation to the Committee

1. That work completed so far on the 2023/24 Audit and Assurance Plan be noted.

Internal Audit Progress Report 2023-24

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit
Cross Cutting Objectives	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit
Risk Management	The report introduces no risks that require separate description in the Council’s risk registers, nor materially impacts any currently described.	Katherine Woodward – Head of Mid Kent Audit
Financial	The report author confirms that remaining work will be completed within agreed budgets and within agreed staffing levels.	Katherine Woodward – Head of Mid Kent Audit
Staffing	Remaining work will be completed within agreed budgets and within agreed staffing levels.	Katherine Woodward – Head of Mid Kent Audit
Legal	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit
Information Governance	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit
Equalities	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals. An EQIA will not be required	Katherine Woodward – Head of Mid Kent Audit
Public Health	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit

Crime and Disorder	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit
Procurement	The audit support contracts mentioned in the report have been progressed in consultation with the shared procurement service.	Katherine Woodward – Head of Mid Kent Audit
Biodiversity and Climate Change	The report is for noting only, providing Members an update on progress. It seeks no new decisions and makes no new proposals.	Katherine Woodward – Head of Mid Kent Audit

2. INTRODUCTION AND BACKGROUND

- 2.1 This committee approved the 2023/24 Audit and Assurance Plan in March 2023. This report summarises progress towards delivering the plan up to 31 October 2023 and sets out the path towards completing the plan over the next 6 months. It also provides updates on staffing the service.
-

3. AVAILABLE OPTIONS

- 3.1 We present the report for Member information and for noting.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 We present the report for Member information and for noting.
-

5. RISK

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council’s Risk Management Framework. We are satisfied that the risks associated are within the Council’s risk appetite and will be managed as per the Policy.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 We present the report for Member information and for noting. There has been no formal consultation, but its content has been discussed with the Director of Finance, Resources and Business Improvement.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 We present the report for Member information and noting.

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Internal Audit Progress Report 2023/24
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9. BACKGROUND PAPERS

- Internal Audit and Assurance Plan 2023/24 – 13th March 2023

Internal Audit & Assurance Progress Report

**November 2023
Maidstone Borough Council**



MID KENT AUDIT

Introduction

1. The Institute of Internal Audit gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
2. The mission and its associated [code of ethics](#) and [Standards](#) govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the [Accounts and Audit Regulations 2015](#). The Regulations state services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. Those Standards set demands for our reporting.

Audit Charter

3. This Committee approved our *Audit Charter* in September 2021, and it remains in place through this audit year. A revised Audit Charter will be presented to the Audit Committee next year.

Independence of internal audit

4. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
5. We have worked with full independence as defined in our Audit Charter and Standard 1100. On no occasion have officers or Members sought or gained undue influence over our scope or findings.

Management response to risk

6. We include the results of our work in the year so far later in this report. In our work we often raise recommendations for management action. During the year so far, management have agreed to act on all recommendations we have raised. We report on progress towards implementation in the section titled *Agreed Actions Follow Up Results*.
7. There are no risks we have identified in our work that we believe management have unreasonably accepted.

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Resource Need

8. We reported in our plan presented to this Committee in March 2023 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

MKA has the skills and expertise to deliver the 2023/24 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2023/24 to be delivered in Spring 2024.

9. Since March 2023 we have experienced further change within the audit team:
- The Interim Deputy Head of Audit / Audit Manager left the council in June 2023.
 - Two other members of the team, an Auditor and the Risk and Governance officer also left to pursue other opportunities.
10. The departures since March 2023 and those prior to March, gave rise to an opportunity to consider the structure and capacity of the Mid Kent Audit team. Following a restructure to ensure the service is fit to deliver the services required for each of the partners and to fulfil its statutory responsibilities, a number of appointments have been made.
11. Since August 2023 we have recruited two internal auditors and internally promoted three members of the team. We currently have three vacant posts, one of which is being covered through use of external contractors, who are also resourcing the staffing gap we had in place prior to the recent recruitment exercises.
12. Despite all this change we continue to make progress through the Audit Plan although overall delivery of the plan has been impacted.

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Audit Plan Progress: Closing 2022/23

13. In July, there were several audit engagements, approaching completion that did not finish in time for Committee deadlines. The results of these audits will now feed into the Head of Audit Partnership annual assurance opinion for 2023/24.

Audit Review (2022/23)	Audit status	Assurance rating	Number of Actions by Priority Rating		
			High	Medium	Low
Property Income (Commercial)	Complete	Sound		3	
Facilities Management	Complete	Weak	4		
Private Water Supply	<i>Draft Report</i>	<i>Sound</i>			
Subsidiary Company Governance	<i>Draft Report</i>	<i>Weak</i>			
Capital Projects	<i>Draft report</i>	<i>Sound</i>			
Member Development	Review stage				

Audit Plan Progress: 2023/24

14. The table below shows current and expected progress through the engagements described in the 2022/23 Audit Plan:

Audit Review	Current position
Contract Management	Work in progress
Grounds Maintenance	Work in progress
Public Health Funerals	Work in progress
Social Media	Work in progress
Safeguarding	
Safety Partnerships – Animal Welfare	Allocated
Conservation & Heritage	Work in progress
Planning Enforcement	
General Ledger	
Insurance	
Complaint Handling	Allocated
Economic Development – Capital Projects	
Repairs and Maintenance	
Garden Waste	
Elections Management	Audit under review
* HR Policy and Compliance	
* Learning & Development	Work in progress
* Land Charges	
* Cyber Security	Work in progress
* IT Disaster Recovery	Work in progress
* Compliance with Computer Use Policy	
* Council Tax Reduction Scheme	Work in progress
* Business Rates	Work in progress

* shared service audits, work will include all authorities included in the shared service

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15. The Audits that have not been allocated yet will be allocated when resources become available within the team.

Other work and overall progress

16. The Risk Management Framework has undergone a refresh to ensure it is relevant to the organisation. This needs to be approved by the relevant committee. Work on overseeing, updating, and reporting on risk has transferred during the year to the Emergency Planning and Resilience team. The Internal Audit team administer the Risk Management System and provide Risk Management support, including oversight and reporting, to the other organisations in the partnership.

17. The table below also summarises (up to 31st October) current days on audit plan progress.

Plan Area	Plan Days	Actual to 31-Oct-22
Risk Based Audits	270	110
Following up of agreed actions	22	6
Consultancy & Member Support	49	11
Risk Management	8	2
Planning	24	5
Counter Fraud & Governance Support	18	1
Total	391	135

18. The significantly lower number of audit days delivered to date is due to the number of vacant posts at the beginning of the year and the natural length of time to get a contractor appointed and delivering audit work. This will balance out towards the end of the year, but there will be an impact on overall plan delivery for 2023/24.

Agreed Actions Follow Up Results

19. Our approach to agreed actions is to follow up each as it falls due in line with the plan agreed with management when we finish our reporting. We report progress on implementation to Corporate Leadership Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after addressing key actions).

20. As detailed in the yearend report in July, work on following up of actions was paused at that time due to resourcing constraints. This work has now resumed and has highlighted some outstanding actions from previous years and some changes that have been required to the process for ensuring actions are completed. In total, we summarise in the table below the current position on following up agreed actions:

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	High	Medium	Low	Total
Total actions 2022/23				
Actions agreed	5	14	8	27
Actions cleared	1	1	1	3
Actions not due	4	10	6	20
Outstanding actions 2022/23	0	3	1	4
Outstanding actions 2021/22	1	7	2	10
Outstanding actions 2020/21	0	0	0	0
Outstanding actions 2019/20	0	1	0	1
Total Outstanding actions	1	11	3	15

21. These outstanding actions have been raised with the Corporate Leadership Team who are addressing the concerns we have raised regarding implementation of the outstanding work. An update will be provided to the committee in the yearend report, once the new process has embedded within the organisation.

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Appendix I

Property Income (September 2023)

Five property agents are employed to manage the Council's commercial property portfolio, which have all been appointed following a competitive process. Our work identified several issues with the performance of a former property agent which, while rectified following the appointment of a new managing agent (in April 2023), has resulted in poor invoicing and rent reviews not being undertaken. A performance monitoring process in place for all agents, which relies on key performance indicators, was not effective in preventing these issues and the audit recommends that these measures are appraised going forward.

Post April 2023, our testing found commercial properties were supported with a lease or tenancy agreement and rent reviews had been specified, however not all were being completed. We found tenants were paying the correct amount of rent as specified in the tenancy agreement or lease and all new rents supported by a local market report. For those tenants tested in rent arrears, debt is being managed with monthly payments being made, following agreements with the tenants, and in one case arrears written off. Overall, we found void properties were being managed appropriately.

We note an Asset Management Plan to provide a tactical response to managing the Council's commercial property portfolio is not in place. However, we were informed that this work is scheduled to be presented to Councillors for approval during autumn 2023 and we will track implementation as this finding has also been identified from other internal audit work.

We highlight an advisory matter regarding the desirability for senior posts within the Property team to be professionally qualified.

Owing to limited availability of staff in Property Services, we have been unable to obtain information relating to property income reconciliations, and so cannot provide assurance to this area.

Facilities Management (August 2023)

Our audit focused on the arrangements in place between the Council and Fidum, as the facilities management provider for the Lockmeadow leisure complex and elements of Maidstone House.

We found that the Council's arrangements with Fidum, are operated without the safeguards of a signed contract at either site. As such, the obligations of the Council and Fidum are not formally set out and neither are the parameters for providing the service (such as performance and delivery standards) or payment terms.

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The position at Lockmeadow is somewhat clearer where we found a draft working agreement is in place and used as the basis to set out the relationship and responsibilities between the Council and Fidum. We were also able to gain assurance on some key aspects to the management of this site specifically relating to health and safety inspections and the management of tenants. However, this assurance was provided to us directly by Fidum, with no contract monitoring present and in operation by the service.

The arrangements at Maidstone House are less clear. The Council occupies part of this building as well as managing some tenants, while communal areas and other tenants are managed by Fidum. There is no document in place that sets down either the specific areas or responsibilities of the Council and Fidum with a risk that key tasks for managing the building will not be completed.

We make several high priority recommendations which centre upon: -

- Formalising existing arrangement
- Scoping facilities management services (at Maidstone House)
- Contract monitoring
- Market testing and procurement

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

13 November 2023

Budget Strategy – Risk Assessment Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

The Council is having to deal with a significant budget overspend in the current financial year owing to the increase in numbers being housed in temporary accommodation. At this stage in the year it is hoped that savings can be identified elsewhere to offset this overspend.

Budget planning for next year (2024/25) is making good progress. Savings to address a budget gap of £925,000 have been identified and were approved by Cabinet at its meeting on 25th September.

The local authority sector as a whole is seeing an increasing number of councils at risk of bankruptcy. To help members judge the risk for this Council, this report additionally sets out how Maidstone compares with its peers on the key metrics.

This report makes the following recommendations to this Committee:

That the Audit Governance and Standards Committee notes the risk assessment of the Budget Strategy provided at Appendix A.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	13 November 2023

Budget Strategy – Risk Assessment Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance, Resources and Business Improvement
Cross Cutting Objectives	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance, Resources and Business Improvement
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance, Resources and Business Improvement
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance, Resources and Business Improvement
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance, Resources and Business Improvement
Legal	The Council has a statutory obligation to set a balanced budget and development of	Director of Finance, Resources and

	the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Business Improvement
Information Governance	No implications.	Director of Finance, Resources and Business Improvement
Equalities	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance, Resources and Business Improvement
Public Health	None identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	None identified.	Director of Finance, Resources and Business Improvement
Procurement	None identified.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	None identified.	Director of Finance, Resources and Business Improvement

2. INTRODUCTION AND BACKGROUND

- 2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

Current position

- 2.2 The Council produced a balanced budget for both revenue and capital income and expenditure for 2023/24. Performance monitoring for the year to date indicates that, based on current numbers in temporary accommodation, we can expect an overspend in excess of £800,000 under this heading. Although the Council is acquiring additional properties through the capital programme, a large number of families will continue to be housed in expensive nightly paid accommodation.
- 2.3 This overspend can be mitigated substantially through underspends elsewhere around the Council, and every effort will be made to keep spend overall within budget for the year. However, spend on temporary accommodation is volatile and there is a significant risk that the budget cannot be brought into balance or even that the overspend could be higher.

Future position – 2024/25 and subsequent years

- 2.4 A draft Medium Term Financial Strategy was presented to Policy Advisory Committees in September, setting out the likely position for the 5-year planning period. The external environment is challenging, with the UK economy facing low growth prospects and continued high inflation. This limits the scope for any increase in public expenditure, which in turn will affect the Council, because it gives the government little scope to flex the funding framework for local government to alleviate financial pressures caused by expenditure growth. Any assistance is likely to benefit upper tier or single tier authorities, not lower tier authorities like Maidstone.
- 2.5 Financial projections were drawn up, based on a realistic scenario of continued high inflation and limited funding flexibility. These show a budget gap of £925,000 for 2024/25 and a significantly increased gap in subsequent years. Note that all these projections assume that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation. In all cases, the budget gap would be greater if these measures were not taken.
- 2.6 Budget proposals have been put forward which would deliver sufficient savings and were presented to members in September. Cabinet approved these savings at its meeting on 25th September.
- 2.7 Details of fees and charges which would deliver an overall 5% increase still need to be agreed. Savings on a much greater scale will be required in subsequent years.

Capital Programme

- 2.8 The Council has an ambitious capital programme, which includes plans to deliver 1,000 new affordable homes over the next ten years. Funding this will require an increase in long term debt from £5 million today to over £150 million in 2027/28, with the revenue cost of capital increasing accordingly.
- 2.9 There are a number of risks associated with the capital programme which potentially will impact the revenue account, to the extent that capital expenditure is abortive or leads to the write-down of capital investments:
- Construction prices increasing
 - Contractor failure / liquidation
 - Availability / cost of finance (currently the Council has arranged £80 million of funding, but the availability and cost of finance when this is exhausted is not known).
- 2.10 Finally, there is a specific requirement in relation to the Affordable Housing programme to provide the necessary subsidy for tenants. The requirement for a subsidy arises because affordable housing (ie housing to be let at a rent of no more than 80% of the Local Housing Allowance) does not achieve the rate of return that is required on Council investments in order to satisfy the prudential borrowing rules. There is a risk that, if the necessary subsidy is not available, the Council will not be able to achieve the targeted number of affordable homes.
- 2.11 Overall, in light of the above, no changes are proposed to the budget risk register. Details are set out in Appendix A, which lists the budget risks in the form of a Risk Matrix and Risk Register. Additionally, at the Committee's request, the possible monetary impact of the risks has been indicated. Note that it is very difficult to quantify the financial impact of risks in precise terms. The information is provided simply to give an indication of the order of the risks' financial magnitude. The information is also set out in the form of a bar chart.
- 2.12 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.

Budget risks – the overall local authority context

- 2.13 The local authority sector as a whole is seeing an increasing number of councils at risk of bankruptcy. To help members judge the risk for this Council, further information is set out here to help members assess how Maidstone compares with its peers.
- 2.14 Local authorities cannot become bankrupt in the same way as a company or an individual. However, issue of a Section 114 notice is usually treated as equivalent to an admission of bankruptcy. This notice must be issued if the the predicted expenditure of the council during a financial year is likely to exceed its available funds. Once a notice has been issued, no new expenditure is permitted except to fund statutory services, although existing commitments and contracts are honoured and staff wages are paid.

- 2.15 The number of section 114 notices issued, both in the recent past and in the period since enactment of the Local Government Finance Act in 1988, remains small. However, the risk of a section 114 notice – as opposed to an actual section 114 notice – has been highlighted at a much larger number of councils in the past year, including Kent, Hampshire, Havering, Kirklees, Coventry, Southampton, Medway and Guildford.
- 2.16 In most cases, the risk arises because in-year expenditure exceeds revenue. The problem is particularly acute amongst authorities providing social services, where the numbers in care and unit costs are increasing rapidly, and the cost of care can exceed £1 million per head in the most serious cases. But an in-year overspend in itself will not give rise to a section 114 notice, because local authorities can legitimately draw on reserves brought forward from previous years.
- 2.17 Using reserves is not, however, a long term solution, as reserves can only be used once, and the rate at which they are being depleted in many councils means that the overspends that they are incurring are unsustainable. The issue is the relationship of overspends to available reserves.
- 2.18 In order to establish the risk of a section 114 notice being required, the key metrics are therefore the current level of overspend and the level of unallocated reserves available to cover the overspend. Strictly speaking, only the General Fund balance is truly unallocated and available to support ongoing revenue expenditure. However, it is the practice in many authorities for earmarked reserves to be maximised at the expense of General Fund reserves. Often the 'earmarking' is to meet generic purposes, such as 'business risk'. Where a specific legal or constructive obligation exists that probably requires settlement, and a reliable estimate can be made of the amount of the obligation, accounting standards require this to be met through a provision, which would be charged in-year to the General Fund. Birmingham City Council's obligation to meet equal pay claims is sufficiently clear to require treatment as a provision, hence the negative impact on the General Fund which has given rise to a Section 114 notice.
- 2.19 For the purpose of establishing the risk of a section 114 notice, the relevant reserves to be used are therefore the General Fund balance and Earmarked Reserves. This allows local authorities to be ranked in relation to the level of reserves held as compared with their net revenue expenditure. On this basis, there were just six local authorities that did not have enough in reserves as at 31 March 2022 to cover an overspend of 20%, albeit that the position is likely to have worsened since then: three shire districts, two unitary authorities, and one metropolitan borough.
- 2.20 On this ranking, Maidstone stands at 237 out of 323 authorities for which information is available. In other words, 236 councils would be more likely to go bankrupt than Maidstone.
-

3. AVAILABLE OPTIONS

- 3.1 Option 1 - The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Council's service planning and/or be reflected in the developing Medium Term Financial Strategy.
- 3.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 2 – It is recommended that the Committee notes the risk assessment.
-

5. RISK

- 5.1 Risk is addressed throughout this report, so no further commentary is required here.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Each year the council as part of the development of the MTFS and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey has been carried out for the 2024/25 budget and the results will be reported to Members as part of the budget setting process.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
-

8. REPORT APPENDICES

The following document is to be published with this report and forms part of the report:

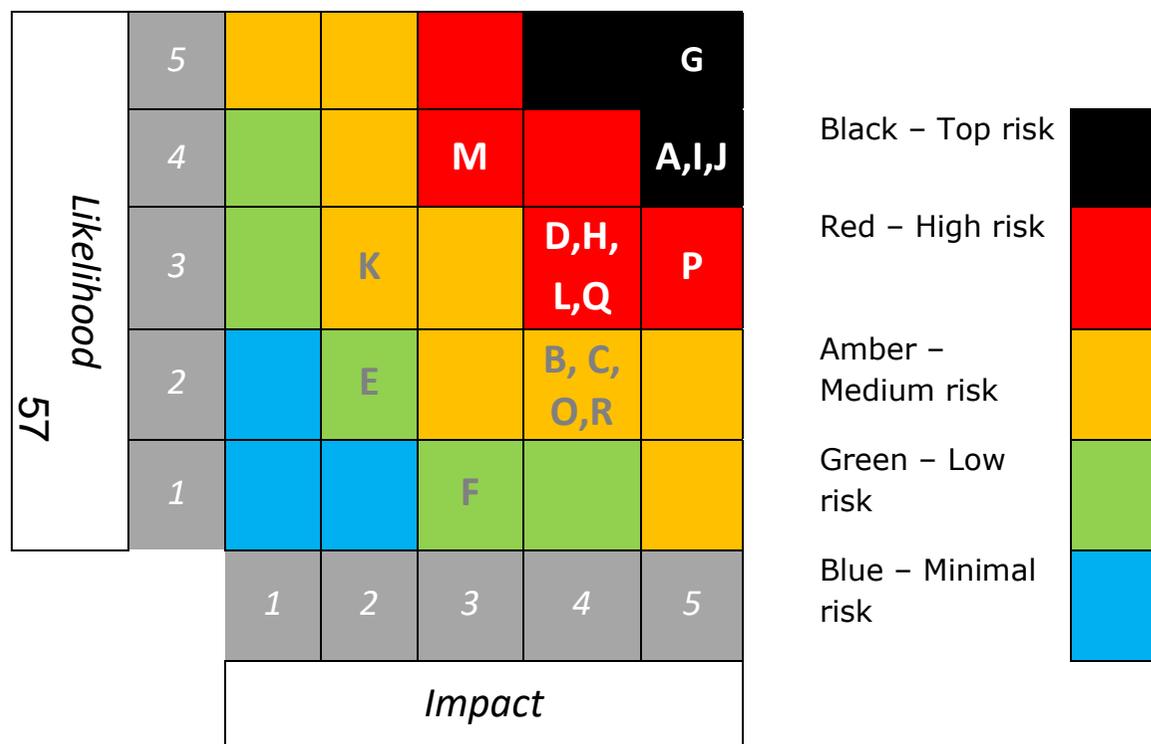
- Appendix A: Budget Strategy Risks
-

9. BACKGROUND PAPERS

None.

Budget Strategy Risks

The risk matrix below provides a summary of the key budget risks. The risk register that follows provides more detail.



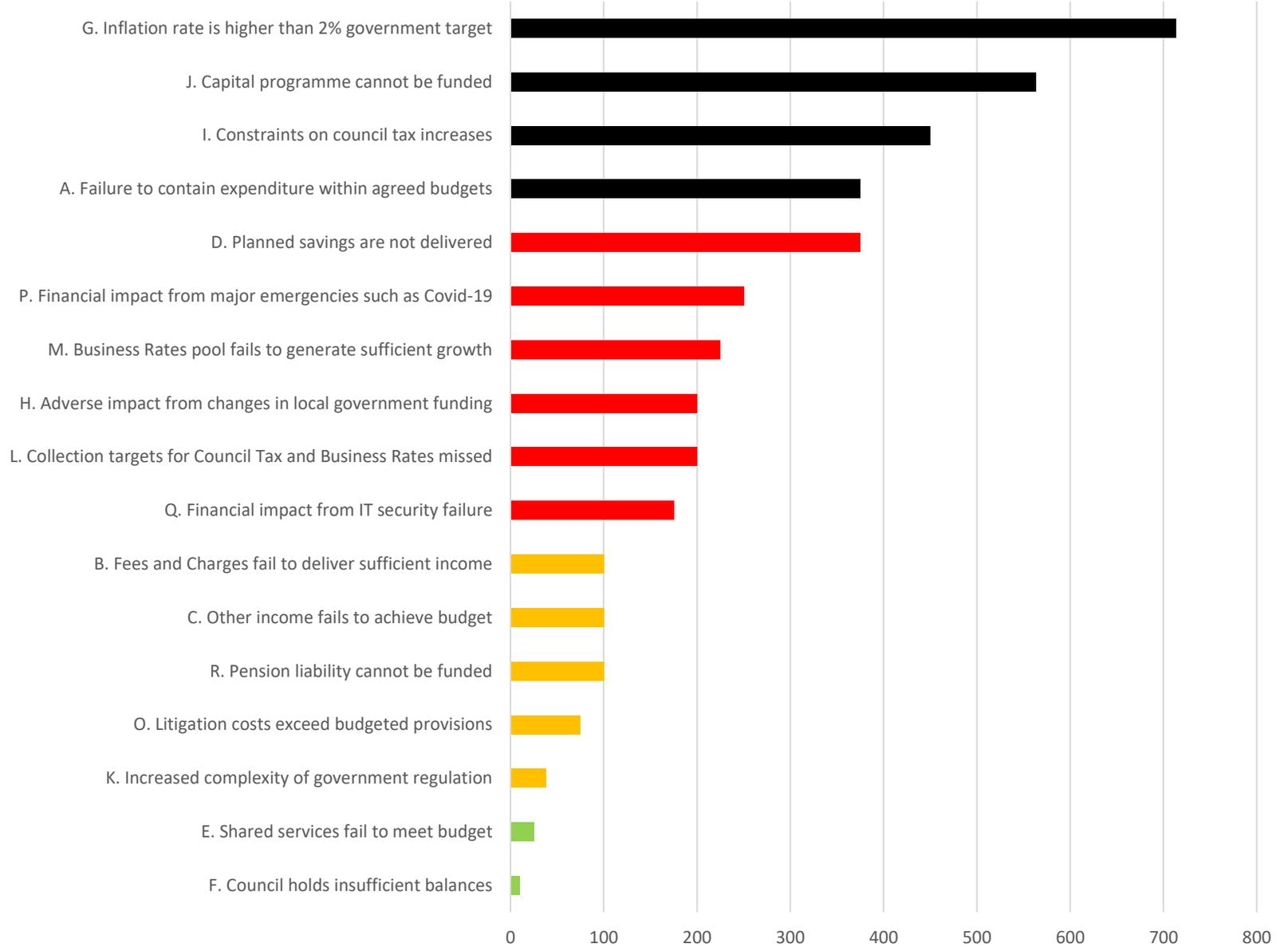
A. Failure to contain expenditure within agreed budgets	J. Capital programme cannot be funded
B. Fees and Charges fail to deliver sufficient income	K. Increased complexity of government regulation
C. Other income fails to achieve budget	L. Collection targets for Council Tax and Business Rates missed
D. Planned savings are not delivered	M. Business Rates pool fails to generate sufficient growth
E. Shared services fail to meet budget	O. Litigation costs exceed budgeted provisions
F. Council holds insufficient balances	P. Financial impact from major emergencies such as Covid-19
G. Inflation rate is higher than 2% government target	Q. Financial impact from IT security failure
H. Adverse impact from changes in local government funding	R. Pension liability cannot be funded
I. Constraints on council tax increases	

The budget risks may be ranked, based on the scores shown below, as follows:

Risk	Ranking	Financial impact (in any one financial year)				
		Lower £000	Upper £000	Mid- point £000	Likelihood %	Weighted £000
G. Inflation rate is higher than 2% government target	1	500	1,000	750	95	713
J. Capital programme cannot be funded	2	500	1,000	750	75	563
I. Constraints on council tax increases	3	400	800	600	75	450
A. Failure to contain expenditure within agreed budgets	4	200	800	500	75	375
D. Planned savings are not delivered	5	250	750	500	75	375
P. Financial impact from major emergencies such as COVID-19	6	250	750	500	50	250
M. Business Rates pool fails to generate sufficient growth	7	150	450	300	75	225
H. Adverse impact from changes in local government funding	8=	100	900	400	50	200
L. Collection targets for Council Tax and Business Rates missed	8=	200	600	400	50	200
Q. Financial impact from IT security failure	10	100	600	350	50	175
B. Fees and Charges fail to deliver sufficient income	11=	200	600	400	25	100
C. Other income fails to achieve budget	11=	200	600	400	25	100
R. Pension liability cannot be funded	11=	200	600	400	25	100
O. Litigation costs exceed budgeted provisions	14	100	500	300	25	75
K. Increased complexity of government regulation	15	50	100	75	50	38
E. Shared services fail to meet budget	16	50	150	100	25	25
F. Council holds insufficient balances	17	100	300	200	5	10

Chart - Budget risks

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Budget Strategy Risk Register

The following risk register sets out the key risks to the budget strategy. The register sets out the consequences of each risk and the existing controls in place.

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
A 61	<p>Failure to contain expenditure within agreed budgets</p> <p>The Council overspends overall against its agreed budget for the year</p>	<p>Failure to meet the budget makes it more likely that the Council will have to rely on short term expedients to balance the budget from year to year, rather than following a coherent long term strategy.</p>	<ul style="list-style-type: none"> - Embedded and well established budget setting process - Medium Term Financial Strategy - Balanced budget agreed by Council for 2023/24. - Strong controls over expenditure and established process for recovering from overspends 	5	4	20
B	<p>Fees & Charges fail to deliver sufficient income</p> <p>Fee charging services may be affected if there is a downturn in the economy, resulting in Fees and Charges failing to deliver the expected level of income.</p>	<p>The total value of all Council income from fees and charges is around £20 million. A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met.</p>	<ul style="list-style-type: none"> - Fees and charges are reviewed each year, paying careful attention to the relevant market conditions - Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income. - Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised. 	4	2	8
C	<p>Other income fails to achieve budget</p> <p>In addition to fees and charges, the Council relies on other income from capital investment, which may not deliver the expected level of income.</p>	<p>The medium term financial strategy includes a contribution from investment opportunities, so any shortfall would have an impact on the overall strategy.</p> <p>Income generation from investment activities supports the revenue budget and is required in ordered to pay back capital investment.</p>	<ul style="list-style-type: none"> - Individual risks associated with specific projects within the capital strategy will be assessed, both as part of the project appraisal process and during the course of delivering the projects. 	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
D	<p>Planned savings are not delivered</p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<ul style="list-style-type: none"> - The risks associated with delivery of savings proposed in the current Medium Term Financial Strategy have been reviewed as part of the budget setting process. - Savings proposals are separately identified and monitored in the Council's general ledger. - The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees. 	4	3	12
62 E	<p>Shared Services</p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4
F	<p>Insufficient Balances</p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<ul style="list-style-type: none"> - The Council has set a lower limit below which General Fund balances cannot fall of £4 million. - At the beginning of the 2023/24 financial year unallocated General Fund reserves were £11 million. 	3	1	3
G	<p>Inflation rate is higher than 2% government target</p> <p>Actual levels are significantly above target</p>	<p>Continued high inflation will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p> <p>Services have supported the budget strategy through savings. Levels below those expected would result in</p>	<ul style="list-style-type: none"> - Allowances for inflation are developed from three key threads: <ul style="list-style-type: none"> o The advice and knowledge of professional employees o The data available from national projections 	5	5	25

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		an increase in balances or unused resources that could be used to achieve strategic priorities.	<ul style="list-style-type: none"> ○ An assessment of past experience both locally and nationally <p>- MTFS core inflation projections will be increased to 5% for 2024/25.</p>			
H	<p>Adverse impact from changes in local government funding</p> <p>The financial implications of the new local government funding regime, now unlikely to be introduced until 2026/27, remain unclear.</p>	The Council no longer receives Revenue Support Grant (RSG), but the amount of Business Rates that it retains depends on the funding regime set by central government.	<p>- The Medium Term Financial Strategy to 2027/28 includes an adverse scenario which allows for a significant impact on the Council's resources,</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	4	3	12
I	<p>Constraints on council tax increases</p> <p>The limit on Council Tax increases means that the Council must manage expenditure pressures even if these potentially give rise to cost increases greater than the referendum limit.</p>	The limit on Council Tax increases means that inflation levels in excess of the referendum limit have to be absorbed by making savings elsewhere.	<p>- The budget for 2023/24 incorporates a Council Tax increase of 3%.</p> <p>- Budget planning is based around the assumption that Council Tax increases will be maximised within the constraints of the referendum limit in subsequent years.</p>	5	4	20
J	<p>Capital Programme cannot be funded</p> <p>Reduction or total loss of funding sources means that the capital programme cannot be delivered or demands on funding exceed available supply</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> ○ Internal borrowing ○ PWLB borrowing ○ New Homes Bonus ○ Capital Grants ○ Developer contributions (\$106) <p>A reduction in this funding will mean that future schemes cannot be delivered.</p>	<p>- Council has access to borrowing.</p> <p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p> <p>- Capital expenditure is monitored carefully against the borrowing limits that the Council sets itself.</p>	5	4	20

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
K	<p>Increased volume and complexity of government regulation</p> <p>Covid-19 and the range of government support for local authorities and the community have led to a rapid increase in the volume and complexity of reporting and regulation.</p>	<p>Scaling up administrative resources to address the increased volume and complexity of reporting and regulation may divert attention from other priorities.</p> <p>Ultimately, failure to comply with new regulatory requirements could pose financial and reputational risk for the Council.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	3	6
L	<p>Business Rates & Council Tax collection</p> <p>Council fails to maintain collection targets for business rates and council tax</p>	<p>Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p> <p>Business rates amount to around £50 million in 2023/24 and Council Tax due amounts to around £120 million.</p>	<p>- The Council has a good track record of business rates and Council Tax collection.</p> <p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p>	4	3	12
M	<p>Business Rates pool</p> <p>Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income</p>	<p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- The pool is monitored quarterly Kent wide and Maidstone is the administering authority. The projected benefit of the pool across Kent as a whole is projected to be around £14m in 2023/24.</p> <p>- Provisions have been made when projecting business rates income for bad debts and losses on appeal so any loss of income would relate to the excess over the provisions already made.</p>	3	4	12
O	<p>Litigation costs exceed budgeted provisions.</p> <p>The Council is often engaged in litigation and generally the costs of any award against the Council and associated costs of legal advice can</p>	<p>Costs in excess of budget would require a drawing on reserves and the identification of savings in</p>	<p>- Corporate Leadership Team is updated regularly on outstanding legal cases.</p>	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	be met from within budgets. However, it is prudent to acknowledge the risk that provisions may not in fact be sufficient to cover all likely costs.	subsequent years in order to replenish the level of reserves.	- Appropriate professional advice is taken at all times.			
P	<p>Financial impact from emergencies such as COVID-19</p> <p>A resurgence of the pandemic or a similar emergency would see similar impact to those experienced in the first wave, eg reduction in fees and charges income arising from lower levels of economic activity and the effect of a broad reduction in economic growth on public finances.</p>	In the short term the Council would need to draw on reserves to cover the financial costs, but in the longer term savings would be required to replenish reserves.	<ul style="list-style-type: none"> - Senior officer group mobilised to address short term impacts - Mitigations to be developed over longer term 	5	3	15
65 Q	<p>Financial impact from IT security failure</p> <p>Local authorities have been subject to cyber attacks over the past few years, often with severe financial and service implications.</p>	The Council might have to suspend normal financial transactions for a period of time.	<ul style="list-style-type: none"> - Anti-virus software - Regular communications with staff to warn about risks - Back-up arrangements with neighbouring authorities 	4	3	12
R	<p>Pension liability cannot be funded</p> <p>There are a range of risks associated with the pension liability, including pension fund investment performance, inflation in salaries and pensions, changes in longevity, and capacity of the organisation to support pension fund contributions.</p>	Additional revenue costs will arise from an increased pension liability	<ul style="list-style-type: none"> - Regular actuarial valuations - Mitigating actions in the form of increases to employer pension contributions 	4	2	8

Impact & Likelihood Scales

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law punishable by imprisonment or significant fines	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history

Agenda Item 16

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

13 November 2023

Fraud and Compliance Team Update 2022-23

Timetable	
Meeting	Date
Audit, Governance and Standards Committee	13 November 2023

Will this be a Key Decision?	Not applicable
Urgency	Not Applicable
Final Decision-Maker	Audit Governance and Standards Committee
Lead Head of Service	Georgia Hawkes Mid Kent Services Director
Lead Officer and Report Author	Zoe Kent, Interim Head of Mid Kent Revenues and Benefits Partnership
Classification	Public
Wards affected	All

Executive Summary

To update the Committee on work undertaken by the Revenues and Benefits Fraud and Compliance team during the financial year 2022-23.

Purpose of Report

Noting

This report makes the following recommendations to this Committee:

1. That the contents of the report are noted.

Fraud and Compliance Team Update 2022-23

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect the achievement of the corporate priorities.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Cross Cutting Objectives	None	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Risk Management	This report is presented for information only and has no risk management implications.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Financial	The Fraud & Compliance team receives funding from Kent County Council of £150,000 (on expected 3:1 savings). The cost to Maidstone Borough Council for the service is £46,284. This was partly funded by the household support grant (for the admin) £7,702.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Staffing	There are no changes to staffing proposed in this report.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Legal	It is a function of the Audit, Governance and Standards Committee to monitor the effectiveness of the Council's counter-fraud and corruption strategy. This report provides an update on the work undertaken by the Revenues and Benefits	Zoe Kent Interim Head of Mid Kent Revenues and Benefits

	<p>Fraud & Compliance team.</p> <p>There is no statutory duty to report regularly to committee on the team's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency, and effectiveness. Reports on the team's performance assist in demonstrating best value and compliance with the statutory duty.</p>	Partnership
Information Governance	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes.	Information Governance Team
Equalities	The report is for noting and contains no recommendations that would propose a change in service, therefore no equalities impact assessment will be required.	Equalities and Communities Officer
Public Health	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Crime and Disorder	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Procurement	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
Biodiversity and Climate Change	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits

		Partnership
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2. INTRODUCTION AND BACKGROUND

- 2.1 The purpose of this report is to advise the Committee on the work undertaken by the Fraud and Compliance team within the Mid Kent Revenues and Benefits Partnership.
- 2.2 In 2016 the responsibility for investigating Housing Benefit fraud was moved from the Council's Housing Benefit service to the Department for Works and Pensions (DWP).
- 2.3 The Council took the decision to continue with a shared fraud team along with Swale and Tunbridge Wells borough councils, as part of Mid Kent Services, using the team to investigate fraud and error within Council Tax and Business Rates.
- 2.4 The localisation of Council Tax Support and reliance on Business Rates as an income for the authority changed the financial risk to the Council and preceptors. Whilst there had been some activity to address the risk associated with single person discounts for Council Tax, the service had historically focused its effort on Housing Benefit.
- 2.5 The transfer of the Housing Benefit fraud function to the DWP created both a risk and an opportunity to the Council. With the administration of Housing Benefit and Council Tax Support being directly linked, the Council had in effect been able to 'police' the two systems at the same time.
- 2.6 The change also created an opportunity in releasing a team of experienced specialist staff, with good local knowledge, to both manage the ongoing risk within Council Tax Support and deliver capacity to expand their work into other areas both within the Council Tax and Business Rates systems.
- 2.7 With the value of discounts and exemptions estimated to be in excess of £17 million and the risk of customer fraud high, agreement was reached with the support of the precepting authorities to fund the current team on the understanding that there would be a suitable return on investment.
- 2.8 The agreed business case set out a method of sharing the cost and projected savings in line with the value to each partner based on their level of precept.
- 2.9 The focus in 2020-21 changed to Covid-19. The majority of compliance reviews were halted, and the team were moved to helping with the applications for Business Rates Grants and Test and Trace payments. This continued through 2021-22 and 2022-23 as the team were used to help with Energy Rebate and Household Support Fund payments.
- 2.10 In 2018-19 penalties were introduced where those residents who do not report changes or who fraudulently make claims for discounts are issued with a penalty of £70.

- 2.11 In conjunction with the Kent Intelligence Network (KIN) software was partly funded by Kent County Council (KCC) with a view to sharing information with other authorities in Kent to help reduce fraud and error in the county.
- 2.12 KCC has partly funded a debtor tracing tool (Retriever) which is used to trace the whereabouts of Council Taxpayers who have left their properties owing amounts of Council Tax. This has been successful with over 426 Council Tax debtors being traced so we can contact them at their current address to recover monies due.
- 2.13 Table 1 shows a summary of savings generated for Maidstone by the team in 2022-23.

Table 1

Single Person Discount	£20,748
Housing Benefit Matching Service	£16,082
KIN new properties finder	£41,674
KIN – Destin removal of Small Business Rate Relief	£16,442
New Homes Bonus – properties confirmed as occupied	£379,400
Penalties	£630
Retriever	£385,681
Total	£860,657

3. AVAILABLE OPTIONS

- 3.1 This report is presented for information only.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 This report is presented for information only.

5. RISK

- 5.1 This report is presented for information only and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 None

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 None

8. REPORT APPENDICES

None

9. BACKGROUND PAPERS

Agenda Item 17

Audit, Governance and Standards Committee

13 November 2023

Independent Member

Timetable	
Meeting	Date
Audit Governance and Standards Committee	13 November 2023
Council	29 November 2023

Final Decision-Maker	Council
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement Katherine Woodward, Head of Mid Kent Audit
Classification	Public report with exempt appendix Exempt Appendix 1: Curriculum Vitae This appendix contains exempt information as classified in paragraph 1 of part 1 of schedule 12A to the Local Government Act 1972 in that it contains information relating to any individual. The public interest in maintaining this exemption outweighs the public interest in its disclosure.
Wards affected	All

Executive Summary

The Constitution adopted by the Council at its meeting on 19th April 2023 makes provision for the co-option of an Independent Member to the Audit, Governance and Standards Committee. This report sets out a process for identifying and co-opting a suitable person to the Committee.

Purpose of Report

Decision.

This report makes the following recommendations to this Committee:

1. That the Committee recommends that Council co-opt the person proposed by the selection panel as an Independent Member of the Committee.

Independent Member

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>We do not expect the recommendations will by themselves materially affect achievement of corporate priorities.</p>	Director of Finance, Resources and Business Improvement
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>There will be no material impact on these objectives.</p>	Director of Finance, Resources and Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance, Resources and Business Improvement
Financial	The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding for implementation.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Director of Finance, Resources and Business Improvement

Legal	<ul style="list-style-type: none"> The co-option of an independent member of the audit committee is authorised under the council's constitution. 	Team Leader (Contentious and Corporate Governance)
Privacy and Data Protection	No implications	Director of Finance, Resources and Business Improvement
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Equalities & Communities Officer
Public Health	No implications.	Director of Finance, Resources and Business Improvement
Crime and Disorder	No implications.	Director of Finance, Resources and Business Improvement
Procurement	No implications.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and there are no implications on biodiversity and climate change.	Biodiversity and Climate Change Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 The Constitution adopted by the Council at its meeting on 19th April 2023 makes provision for the co-option of an Independent Member to the Audit, Governance and Standards Committee. This is in line with best practice and with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). This report describes the process of selecting an Independent Member and makes a recommendation to Council.
- 2.2 Note that the Independent Member will be in addition to the two Parish Representatives who already sit on the Audit, Governance and Standards Committee. Like the Parish Representatives, the Independent Member will not have voting rights.

- 2.3 In order to ensure that a wide range of potential candidates was alerted to the opportunity, the role was advertised on LinkedIn, PF Jobs and the Council's own website. In the end, six applications were received. A panel comprising the Chair, Vice-Chair, Director of Finance, Resources and Business Improvement and Head of Mid-Kent Audit reviewed the applications for the role and agreed a shortlist of four. Two candidates were interviewed in person by the Chair, the Director of Finance, Resources and Business Improvement, the Head of Mid-Kent Audit and the Council's HR Manager, the other two candidates being unavailable for interview.
- 2.4 Both candidates seen by the panel submitted strong applications and performed well in interview. On the basis of a structured interview assessment, the panel agreed unanimously that the candidate whose curriculum vitae is included as an appendix to this report scored most strongly in relation to the requirements of the role.
- 2.5 References have been sought on the proposed candidate and confirmation (or otherwise) that these are satisfactory will be provided at the meeting of the Committee.
- 2.6 If the proposed candidate is approved by the Committee, they will be put forward for Council to agree their co-option as an Independent Member of the Committee at its meeting on 29 November.
-

3. AVAILABLE OPTIONS

3.1 Option 1

The recommended candidate is put forward for approval by Council.

3.2 Option 2

The recommended candidate is not put forward and the recruitment process starts again.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that Option 1 is chosen. The preferred candidate has excellent experience, of considerable relevance for the Committee, and meets the requirements for the role.
-

5. RISK

- 5.1 The overall impact of the course of action proposed in the report is likely to be to mitigate the risks faced by the Council, in that it will add an informed and independent element to the work of the Committee.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The proposal to co-opt an Independent Member was considered by Democracy and General Purposes Committee prior to Council adopting the current constitution, and was generally welcomed.
- 6.2 This Committee agreed the process for selecting an Independent Member at its meeting on 24 July 2023.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 See paragraph 2.6 above.
-

8. REPORT APPENDICES

- Exempt Appendix 1: Curriculum Vitae of recommended candidate
-

9. BACKGROUND PAPERS

None.

Agenda Item 18

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

13 November 2023

Treasury Management Mid-Year Review 2023/24

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Adrian Lovegrove- Head of Finance
Lead Officer and Report Author	John Owen – Finance Manager
Classification	Public
Wards affected	All

Executive Summary

This report sets out the activities of the Treasury Management Function for the first 6 months of the 2023/24 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities.

Purpose of Report

This report requires a decision from the Committee.

This report makes the following recommendations to this Committee:

- That the position of the Treasury Management Strategy as at 30 September 2023 be noted;
- That no amendments to the current procedures are necessary as a result of the review of activities in 2023/24.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	13 November 2023

Treasury Management Mid-Year Review 2023/24

- CROSS-CUTTING ISSUES AND IMPLICATIONS**

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Treasury Management Function ensures the safeguarding of Council finances and the liquidity of funds when liabilities become due to support the strategic plan objectives.	Head of Finance
Cross Cutting Objectives	The report recommendations support the achievements of all the cross-cutting objectives in the way stated above.	Head of Finance
Risk Management	Covered in the risk section of this report.	Head of Finance
Financial	This report relates to the financial activities of the council in respect of treasury management and specific financial implications are therefore detailed within the body of the report.	Section 151 Officer & Finance Team
Staffing	None	Head of Finance
Legal	<p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.</p> <p>The legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.</p> <p>Appropriate remedial action should be taken if at any time it appears likely that expenditure will exceed available resources. The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Having received a S114 report, members are obliged to take all reasonable practical measures to bring the budget back into balance.</p>	Team Leader (Contentious and Corporate Governance)

Privacy and Data Protection	None	Policy and Information Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Equalities & Communities Officer
Public Health	None	Public Health Officer
Crime and Disorder	None	Head of Finance
Procurement	None	Head of Finance and Section 151 Officer
Biodiversity and Climate Change	There are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's Treasury Management Strategy for 2023/24 was approved at Council on 22nd February 2023. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Authority's treasury management strategy.

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year. (Quarterly reports are also required for the periods ending April to June and October to December but may be assigned to a designated committee or panel as deemed appropriate to meet the Treasury Management governance and scrutiny aspects of the Council.)
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit, Governance & Standards Committee.

An economic update for the first half of the 2023/24 financial year;

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- A review of compliance with Treasury and Prudential Limits for 2023/24.

Economics Update

The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).

Interest Rates

- The Council's treasury advisor, Link Group, provided the following forecasts on 25th September 2023 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

The PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2023/24 was approved by this Council on 22nd February 2023. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Investment Portfolio

The council held investments totalling £8.54m at the start of the year which have increased to £15.17m on 30th September 2023. Average level of funds available for investment during the quarter was £13.89m. All investments have been held in either short term notice accounts or money market funds, to be readily available to fund the Council's liabilities, including the capital programme. A full list of investments held at this time is shown in **Appendix A**.

Investment income to 30th September 2023 totals £150k against a budget of £50k with an average rate of 3.37%.

Increase in interest rates by the Bank of England has increased the returns received on the Council's short term investments. At the last MPC meeting, interest rates stayed the same which, depending on the next inflation results, may have peaked (as per interest rate forecast table in earlier in this report).

Debt Portfolio

The Council's capital financing requirement (CFR) for 2023/24 is £102.373m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). In practice, owing to slippage in the capital programme, it is unlikely that borrowing on this scale will be required in practice.

The Council has long term borrowing currently external borrowing of £9m (£4m short term from other local authorities and £5m long term with the PWLB). It has also committed to £80m future borrowing with Aviva Life & Pensions UK Limited which will be spread as follows;

£40m -	February 2024
£20m -	February 2025
£20m -	February 2026

The above funding will be used to repay any short term debt the Council has, which is currently quite expensive, with the remainder to be used to fund the current capital programme. A list of the Council's current debt portfolio can also be found in **Appendix A**.

Prudential and Treasury Indicators

It is a statutory duty for the Council to determine and keep under review 'Affordable Borrowing Limits.' During the first six months of financial year 2023/24, the Council has operated within the prudential and treasury indicators set out in the Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury indicators can be found in **Appendix B**.

Liability Benchmark

A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum however, CIPFA strongly recommends that the LB is produced for at least 10 years and should ideally cover the full debt maturity profile of a local authority.

There are four components to the LB: -

1. Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years. At the end of 2021/22, the Council had £9m of external borrowing (£4m short term LA borrowing and £5m 50 year PWLB). This also includes the committed borrowing of market loans with Aviva of £80m).

2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The graph in **Appendix C** shows with the Council's current borrowing is sufficient to cover its borrowing requirement until 2026/27, however additional borrowing will be sought after this time.

The Director of Finance, Resources & Business Improvement confirms no indicator has been breached in the first half of 2023/24.

3. AVAILABLE OPTIONS

- 3.1 The Audit, Governance and Standard Committee agrees that no amendments to the current procedures are necessary as a result of a review of activities of the first 6 months of 2023/24.
 - 3.2 The Audit, Governance and Standard Committee proposes changes to the current procedures as the result of a review of activities with the first 6 months of 2023/24.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit, Governance and Standard Committee agrees that no amendments to the current procedures are necessary as a result of a review of activities of the first 6 months of 2023/24 as there are no justifications to make any changes.
-

5. RISK

- 5.1 Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2023/24 report. This report is purely for information purposes and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 None
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 If Audit, Governance and Standards Committee agrees that no change in current procedures with Treasury management will be made, then there will be no further action.
-

8. REPORT APPENDICES

- 8.1 The following documents are to be published with this report and form part of the report:
1. Appendix A - Investments-Borrowing 30th September 2023
 2. Appendix B - Prudential and Treasury Indicators
 3. Appendix C – Liability Benchmark
-

9.BACKGROUND PAPERS

- 9.1 None

Maidstone Borough Council Investments/Borrowing as at 30th September 2023

Investments

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	8,790,000			5.29%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,970,000			5.35%		£10,000,000
Total Investments		16,760,000					

Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
North Northamptonshire Council	Local Government	2,000,000	23/06/2023	23/02/2024	5.32%
Humber Bridge Board - Kingston Upon Hull	Local Government	2,000,000	03/07/2023	03/10/2023	5.10%
Total Loans		9,000,000			

Committed Borrowing

Prudential and Treasury Indicators

Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

2022/23 Actual %	2023/24 Estimate %	2023/24 Revised Est %
-2.18	1.79	-2.13
2022/23 Actual £000	2023/24 Estimate £000	2023/24 Revised Est £000
-506.00	461.53	-550.00

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. A negative figure shows investment income is higher than borrowing costs. This indicator is shown as a percentage and as a monetary value of the net revenue budget. Expected borrowing was not fully utilised during 2022/23 and the same is forecasted for 2023/24, which is the reason there is a negative result.

Capital Expenditure

2022/23 Actual £m	2023/24 Estimate £m	2023/24 Revised Est £m
32.631	54.999	38.994

This indicator shows the expected total capital expenditure for 2023/24 against Original Estimate.

Capital Financing Requirement

2022/23 Actual £m	2023/24 Original Est £m	2023/24 Revised Est £m
88.048	118.378	102.373

The Capital Financing Requirement (CFR) measures a vital component of an authority's capital strategy: the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. This measures the Authority's underlying need to borrow for a capital purpose. Borrowing can be made external or using the Council's own resources (internal borrowing). This includes the

Actual External Debt

2022/23 Actual £m	2023/24 Estimate £m	2023/24 Revised Est £m
10.000	60.992	45.000

The Authority has gross debt total of £9m as at 30th September 2023. However, it has committed to borrowing an additional £40m by the end of 2023/24 where £4m short term debt will be repaid

Treasury Indicators

Authorised Limit for External Debt

	2021/22 Actual £m	2023/24 Estimate £m	2023/24 Revised Est £m
Borrowing	20.000	78.778	60.000
Other Long Term Liabilities	1.473	0.905	0.905
Total	13.010	79.683	60.905

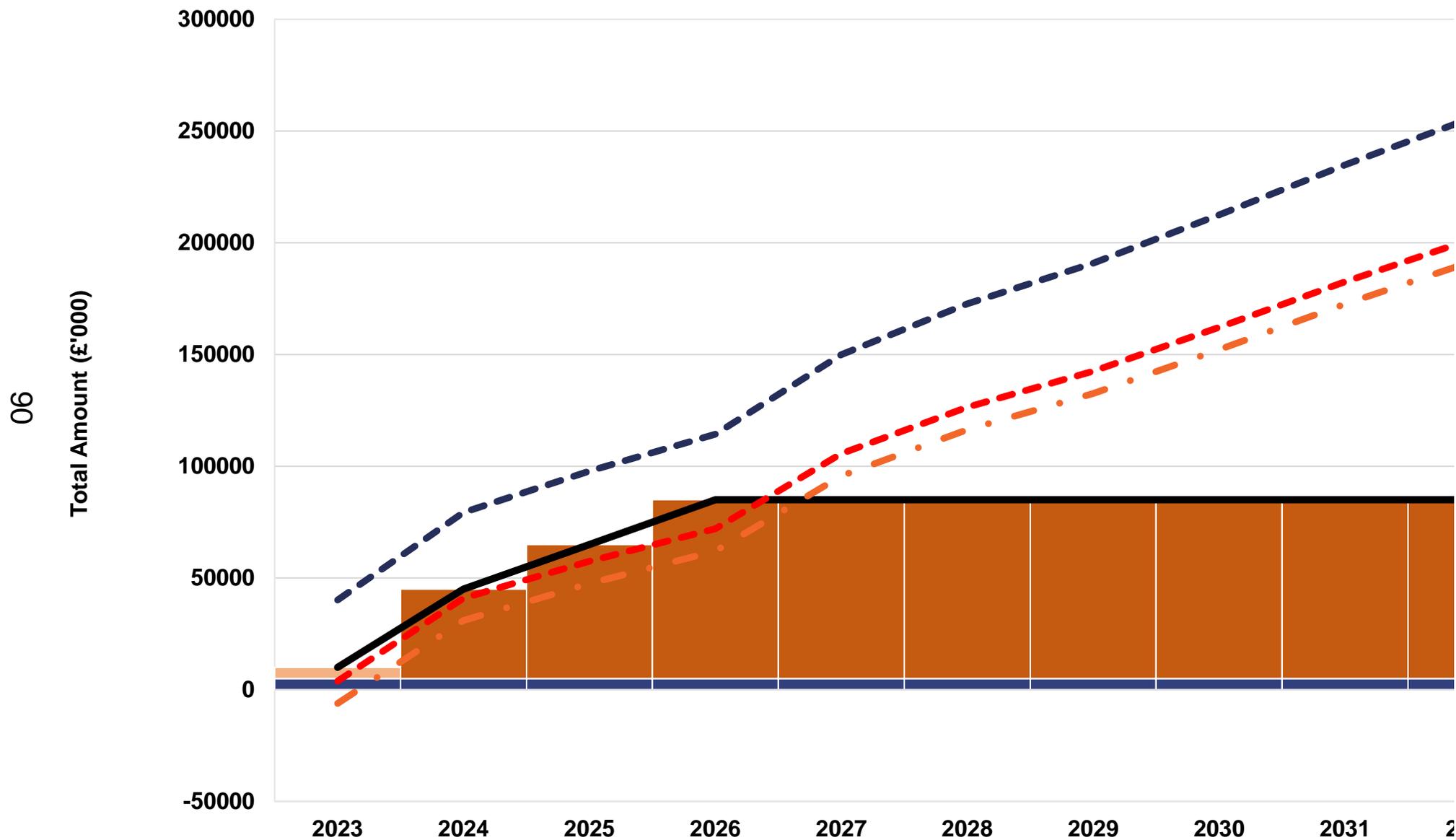
This is the main limit which is set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. This includes the level of external borrowing and the financial liability in regards to the leisure centre.

Operational Limit for External Debt

	2021/22 Actual £m	2023/24 Estimate £m	2023/24 Revised Est £m
Borrowing	10.000	68.778	50.000
Other Long Term Liabilities	1.473	0.905	0.905
Total	13.010	69.683	50.905

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing as perceived as not necessary on a day to day basis. This limit acts as a warning but can be breached temporarily.

Liability Benchmark



By virtue of paragraph(s) 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted