

# AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 13 March 2023  
Time: 6.30 p.m.  
Venue: Town Hall, High Street, Maidstone

## Membership:

Councillors Bartlett (Chairman), Bryant, Coulling (Parish Representative), Cox (Vice-Chairman), Forecast, Jeffery, Khadka, Knatchbull, Titchener (Parish Representative), Trzebinski and D Wilkinson

*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.*

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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	
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9. Question and Answer Session for Local Residents (if any)	
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**Issued on Friday 3 March 2023**

**Continued Over/:**

*Alison Broom*

**Alison Broom, Chief Executive**

## **INFORMATION FOR THE PUBLIC**

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

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## MAIDSTONE BOROUGH COUNCIL

### AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

#### MINUTES OF THE MEETING HELD ON 16 JANUARY 2023

##### Present:

<b>Committee Members:</b>	<b>Councillor Bartlett (Chairman) and Councillors Coulling (Parish Representative), Cox, Jeffery, Khadka, Knatchbull, Titchener (Parish Representative), Trzebinski and D Wilkinson</b>
<b>External Attendee:</b>	<b>Mr Paul Dossett (Grant Thornton – External Auditor)</b>

59. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillor Forecast.

60. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

61. URGENT ITEMS

The Chairman said that he had agreed to take the External Auditor's Progress Report and Sector Update as an urgent item as it was not available when the agenda was published.

62. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

63. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members and Officers.

64. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

65. EXEMPT ITEMS

**RESOLVED:** That the items on the agenda be taken in public as proposed.

66. MINUTES OF THE MEETING HELD ON 14 NOVEMBER 2022

**RESOLVED:** That the Minutes of the meeting held on 14 November 2022 be approved as a correct record and signed.

67. QUESTION AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from local residents.

68. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

69. COMMITTEE WORK PROGRAMME 2022/23

The Chairman took the opportunity to welcome Katherine Woodward, the new Head of Audit Partnership, to her first meeting of the Committee.

The Committee considered its work programme for the remainder of the 2022/23 Municipal Year.

**RESOLVED:** That the Committee work programme for the remainder of the 2022/23 Municipal Year be noted.

70. VERBAL UPDATE ON KENT MODEL CODE OF CONDUCT

The Team Leader, Contentious and Corporate Governance, advised the Committee that its comments on the draft Kent Model Codes of Conduct which had been produced by the Kent Secretaries Group as alternatives to the LGA Model Code of Conduct had been reported back to the Group. The Group had agreed that it would be appropriate to make amendments to the documents in response to these comments. However, the Working Group which would make these amendments had not yet met, so no further progress had been made.

In response to a question, the Team Leader, Contentious and Corporate Governance, confirmed that he would share the revised draft documents with the Committee before they were put forward for adoption.

**RESOLVED:** That the report be noted.

71. ANNUAL GOVERNANCE STATEMENT - MID-YEAR UPDATE

The Director of Strategy, Insight and Governance presented her report providing an update on the progress made against the Action Plan for 2022/23 contained in the Annual Governance Statement for 2021/22 which was approved by the Committee in July 2022. It was noted that progress had been made across all areas identified for action, including embedding the new process for Part II items and reviewing the Constitution and decision making. The Committee had already received an update on progress against the Data Protection Action Plan as part of the Information Governance Report.

In response to questions:

The Director of Strategy, Insight and Governance advised the Committee that:

- The Chief Executive had identified governance failings at other local authorities. These failings were considered at meetings of Officers with governance responsibilities to determine whether anything needed to be done differently at Maidstone. There was also an internal governance group that

she managed, and reports would be submitted to that group on what was happening nationally to identify any lessons.

- The Council had secured £565k investment from the Safer Streets Fund for community safety in the town centre. She would circulate details of how it would be spent to all Members of the Committee.
- Actions taken to mitigate the risk of general and localised economic pressure leading to contraction in the retail sector were reported to the Policy Advisory Committees and the Executive and details could be circulated to Members of the Committee. For example, work had started on the development and delivery of a Town Centre Strategy to guide the reallocation of land uses within the Town Centre (including retail) following the appointment of a contractor.

The Head of Finance advised the Committee that:

- The implementation of Social Value and Sustainability procurement policies should not impact current projects. There might be some cost going forward, but it was only a small marginal assessment of the procurement process. The idea was to encourage Maidstone businesses and add local value.

**RESOLVED:** That the update on progress against the Annual Governance Statement Action Plan 2022/23, as set out in Appendix A to the report of the Director of Strategy, Insight and Governance, be noted.

## 72. TREASURY MANAGEMENT MID-YEAR REVIEW 2022/23

The Finance Manager introduced his report setting out the activities of the Treasury Management function for the first six months of the 2022/23 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It was noted that:

- The 2022/23 Treasury Management Strategy was approved by Council on 23 February 2022 and the key aims were to:  
Use cash balances to finance the Capital Programme in the short term and to review borrowing options during the year for longer term financing;  
Diversify the current portfolio as much as possible to reduce counterparty risk; and  
Keep investments short so that they can be called upon for liquidity purposes.
- Investments at the start of the year amounted to £38.75m and balances had peaked at £47m during the first part of the year. The Council had £22.75m invested on 30 September 2022, all in short-term instruments.
- Investment income to 30 September 2022 totalled £150k against a budget of £50k and, due to the increase in interest rates, it was expected that the Council would receive around £400k over the course of the year.
- Total loan debt was currently £5m made up of PWLB long-term borrowing. All short-term funding had been repaid during the first part of the year.
- Due to rising interest rates and the need for future borrowing to fund the Capital Programme, the Council had entered into an agreement with Aviva Life

and Pensions UK Ltd to forward borrow £80m to bring some certainty into borrowing rates. The funds would be available during 2023/24 (£40m), 2024/25 (£20m) and 2025/26 (£20m) and the rate had been agreed at 2.89% over a 50-year term. 50-year rates with the PWLB were currently 4.66%.

- All Prudential and Treasury Indicators had been complied with throughout the year.

In response to questions, the Officers explained that:

- The Council's investment priorities were, in order, Security of Capital, Liquidity and Yield. However, the Council had now started to consider ESG investing as part of the financial analysis and the rates were quite competitive.
- The Link Group was the Council's treasury management adviser. Treasury management was Link's core business, and the Officers found their advice very useful. Details of the firm's fees and scope of work would be reported to the next meeting of the Committee.
- The capital budget process was rigorous taking into account two key tests: deliverability and desirability in terms of achieving outcomes and supporting corporate objectives. These assessments were kept under review.
- In terms of slippage, the Capital Programme was much more realistic this year. The measures in place and prudential indicators provided assurance that the Council was borrowing sensibly and had a reasonable Capital Programme with potential to achieve strategic objectives.

#### **RESOLVED:**

1. That the position regarding the Treasury Management Strategy as at 30 September 2022 be noted.
2. That no amendments to the current procedures are necessary as a result of the review of activities in 2022/23.

#### 73. TREASURY MANAGEMENT AND CAPITAL STRATEGIES 2023/24

The Finance Manager introduced his report setting out the draft Treasury Management and Capital Strategies for 2023/24. It was noted that:

- CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021. CIPFA had stated that Local Authorities were expected to fully implement the required reporting changes within their Treasury Management Strategy Statements from 2023/24. The reason for the changes was to tighten up the regulations around local authorities financing capital expenditure on investments in commercial projects for yield where access to PWLB borrowing had been closed on such schemes.
- The fundamentals of the Treasury Management Strategy Statement 2023/24, which had not changed significantly from the previous year, were to:

Utilise cash balances rather than loan debt to finance the Capital Programme in the short term due to increasing interest rates;

Further diversify the Council's portfolio as far as is operationally feasible, ensuring that a combination of secured and unsecured investments is considered; and

Keep investments short term to meet the demands of liabilities when due.

- The Council's investments as at 31 December 2022 totalled £28.13m. It was expected that investment balances would start to fall throughout 2023/24 and it might be necessary for the Council to take on short-term borrowing to cover the liabilities of the Capital Programme and day-to-day cashflow.
- The Council had long-term borrowing of £5m through the PWLB and, at the beginning of 2022/23, had entered into an agreement with Aviva Life and Pensions UK Ltd to forward borrow £80m due to increasing interest rates. The first tranche of £40m would be received in 2024 with £20m in 2025 and £20m in 2026.
- The Capital Programme was expected to total £365m over the next ten years and a prudential borrowing figure of £298m would be required so further borrowing would be procured from a combination of the PWLB, corporate markets or other local authorities. The capital financing requirement was expected to reach £354m. Statutory guidance was that debt should remain below the capital financing requirement, except in the short-term, and the Council expected to comply with this.
- CIPFA had introduced a new Prudential Indicator, the Liability Benchmark, as a means of managing debt risks, and this was included within the Treasury Management Strategy Statement.

In response to questions by Members, the Officers explained that:

- In terms of funding the Capital Programme, it would be necessary to borrow more than the £80m which would be drawn down between 2024 and 2026. The Officers would monitor the markets and the Council would borrow when the opportunity arose. All capital expenditure had to be financed either from external sources, the Council's own resources or debt. The schemes included in the proposed Capital Programme together with the planned funding arrangements represented a realistic plan for delivery.
- In terms of the ratio of financing costs to the net revenue stream and associated risks, one of the purposes of the Prudential Indicators was to make sure the amount of interest paid was proportionate to net revenue expenditure. It was a requirement to report this on a regular basis to assist Members' overview and confirm capital expenditure plans. There were no hard and fast rules about the level of debt that a Council could take on. However, the general rule was that it should be sustainable meaning that the Council should have plans to service and repay any debt taken on. With any investment, it was necessary to ensure that it returned at least the interest paid and the provision was made for its repayment. This was looked at in terms of individual schemes and programme wide.
- One of the key features of the revised Prudential Code was additional reporting of the Treasury Management requirements of the Treasury and Prudential Indicators to Members on a quarterly basis to give greater oversight and ensure a prudent position.

- In terms of restructuring debt profiles, it was quite expensive to pay back PWLB borrowing early. It was a legal requirement to safeguard the Council's position by making provision in the accounts for a minimum revenue payment every year against eventual repayment of loan debt. It was unlikely that the Council would have to take emergency measures to restructure debt profiles at any point. Generally speaking, the longer the term of the debt, the lower the cost, so given the type of assets being acquired, it was appropriate to borrow for the long term.
- It was not part of the role of the Committee to approve the Capital Programme. This Committee was concerned with how it was financed.

**RESOLVED:**

1. That the Treasury Management Strategy for 2023/24, attached as Appendix A to the report of the Finance Manager, be agreed and recommended to the Council for adoption subject to any amendments arising from consideration of the Capital Programme by the Executive at its meeting on 25 January 2023.
2. That the Capital Strategy for 2023/24, attached as Appendix B to the report of the Finance Manager, be agreed and recommended to the Council for adoption.

74. EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21

The Head of Finance introduced the report setting out the External Auditor's Annual Report 2020/21, the purpose of which was to conclude the annual audit process for 2020/21.

Mr Paul Dossett of Grant Thornton, the External Auditor, advised the Committee that the accounts had been signed off on 18 November 2022, including finalisation of the External Auditor's Report. The responses of Management to the Improvement recommendations were now included in the document.

In response to questions:

- Mr Dossett explained that, in terms of the recommendation that consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to Members and published on the website, it was the National Audit Office which set out the framework for the Value for Money work and one of its challenge questions related to the distinction between the two. Potentially, there was scope for savings in all services, so when discussing budgets and savings it would be helpful to be clear about the distinction between services. However, that was not to say that a service was out of the scope for savings and efficiencies.
- The Director of Finance, Resources and Business Improvement advised the Committee that the Council's Key Performance Indicators (KPIs) were reviewed every year to ensure that they continued to be relevant. Benchmarking the Council's performance against comparable authorities was done informally and the information could be shared with Members to show how the Council compared.

During the discussion, Members thanked Mr Dossett for the report.

**RESOLVED:** That the External Auditor's Annual Report, attached at Appendix 1 to the report of the Senior Finance Manager (Client), be noted.

75. EXTERNAL AUDITOR'S PROGRESS REPORT AND SECTOR UPDATE

Mr Paul Dossett of Grant Thornton presented the External Auditor's report providing an update on progress with the audit of the 2021/22 Statement of Accounts and a summary of emerging national issues and developments of relevance to the local government sector.

It was noted that various accounting issues had held up the completion of the 2020/21 audit; for example, the appropriate accounting treatment for construction costs relating to the Brunswick Street and Union Street housing developments. Amendments had been made to the accounts as a result of this work and these would need to be worked through into the 2021/22 accounts. The process had been reversed for the 2021/22 audit so that the technical accounting issues are addressed up front. It was hoped that the work would be completed by March, and the External Auditor was working with the Council to achieve that.

In response to a question about the stability of the workforce, Mr Dossett explained that there were still major recruitment and retention challenges. The audit profession was heavily regulated, and it was difficult to recruit people from within this country. Grant Thornton was recruiting a lot of people from abroad, but it was a slow process and the market was not yet stable in terms of audit being a sought after, long-term profession.

**RESOLVED:** That the External Auditor's progress report and sector update, attached as an Appendix to the report of the Senior Finance Manager (Client), be noted.

76. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

The Director of Finance, Resources and Business Improvement introduced his report highlighting the risks faced by the Council in delivering the budget. The Director of Finance, Resources and Business Improvement advised the Committee that:

- Current projections indicated that the Council would remain within budget for the current financial year.
- Having developed savings proposals amounting to £1.1 million for 2023/24 and having factored in information about the funding context for 2023/24 from the Chancellor's Autumn Statement and the Provisional Local Government Finance Settlement, it was expected that proposals for a balanced budget could be submitted to the Council in February 2023. Looking forward, the position remained challenging, given uncertainty about the future path of inflation and local government funding.

In response to questions, the Director of Finance, Resources and Business Improvement advised the Committee that:

- If funding for the Capital Programme was not available, some prioritisation of schemes would be required. It was difficult at present to pinpoint schemes and say which if any might drop out or slip within the Programme.
- The bar chart quantifying budget risks was useful because, when setting budgets, consideration was given to the level of reserves held by the Council and its ability to cover those risks.
- As part of the budget setting process, he was required to submit a Section 25 report to Members drawing their attention to all the issues they needed to consider including the budget risks and the adequacy of the proposed financial reserves.

**RESOLVED:** That the updated risk assessment of the Budget Strategy, attached as Appendix A to the report of the Director of Finance, Resources and Business Improvement, be noted.

77. DURATION OF MEETING

6.30 p.m. to 7.55 p.m.

**Audit, Governance & Standards  
Committee**

**13 March 2023**

**Complaints Received Under the Members' Code of Conduct**

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Claudette Valmond – Head of Legal Partnership
<b>Lead Officer and Report Author</b>	Gary Rowland – Senior Legal Adviser, Corporate Governance
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

The report provides an update to the Committee on complaints under the Members' Code of Conduct previously reported as under consideration and received in the period 1 September 2022 to 28 February 2023.

**This report makes the following recommendations to this Committee:**

1. That the contents of the report be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	13 March 2023

# Complaints Received Under the Members' Code of Conduct

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	High standards of conduct are essential amongst Members in delivering the Council's priorities. The Code of Conduct complaints procedure supports this.	Senior Legal Adviser – Corporate Governance
<b>Cross Cutting Objectives</b>	No impact.	Senior Legal Adviser – Corporate Governance
<b>Risk Management</b>	The report is presented for information only and has no risk management implications. An effective and robust Code of Conduct complaints procedure minimises the risk of Member misconduct and is part of an effective system of governance.	Senior Legal Adviser – Corporate Governance
<b>Financial</b>	There are no direct financial implications; however, should it be necessary to appoint external Independent Investigators, the cost of this will be met by the Borough Council.	Senior Legal Adviser – Corporate Governance
<b>Staffing</b>	The complaints procedure is dealt within the remit of the Monitoring Officer with input from the Legal team as required.	Senior Legal Adviser – Corporate Governance
<b>Legal</b>	The requirements of the Localism Act 2011 with regards to the Code of Conduct complaints procedure are set out within the report. The reporting process ensures that the Committee continues its oversight of the Code of Conduct as required by the Constitution.	Senior Legal Adviser – Corporate Governance
<b>Privacy and Data Protection</b>	No personal information is provided as part of the report.	Senior Legal Adviser – Corporate Governance
<b>Equalities</b>	Any potential to disadvantage or discrimination against different groups within the community should be overcome within the adopted complaints procedure.	Senior Legal Adviser – Corporate Governance
<b>Public Health</b>	None identified in the report.	Senior Legal Adviser – Corporate Governance

<b>Crime and Disorder</b>	None identified in the report.	Senior Legal Adviser – Corporate Governance
<b>Procurement</b>	None identified in the report.	Senior Legal Adviser – Corporate Governance
<b>Biodiversity and Climate Change</b>	None identified in the report.	Senior Legal Adviser – Corporate Governance

## **2. INTRODUCTION AND BACKGROUND**

- 2.1 It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The current Members’ Code of Conduct (“the Code”) for Maidstone Borough Council is set out in the Constitution.
- 2.2 The Localism Act 2011 requirement to adopt a Code of Conduct also applied to all Parish Councils. Most Parish Councils in the Maidstone area have adopted a similar Code of Conduct to the Borough Council, based on a Kent wide model. A few Parish Councils have adopted their own particular Code.
- 2.3 Under the Localism Act 2011 Maidstone Borough Council is responsible for dealing with any complaints made under the various Codes of Conduct throughout the Maidstone area.
- 2.4 The Constitution stipulates that oversight of Code of Conduct complaints is part of the remit of the Audit, Governance and Standards Committee.
- 2.5 As part of the Committee’s oversight function it is agreed that the Monitoring Officer will provide reports on complaints to the Audit, Governance & Standards Committee. It should be noted that the Localism Act 2011 repealed the requirement to publish decision notices; therefore in providing the update to the Committee the names of the complainant and the Councillor complained about are both kept confidential in accordance with the Data Protection Act 2018. Whilst personal data is kept confidential, the report now highlights why those complaints that were rejected, did not establish a breach of the Code as requested during the meeting in September 2021.

- 2.6 At the previous Committee on 27 September 2022, it was reported that there were no outstanding complaints being considered by the Monitoring Officer.
- 2.7 Since the last report, five new complaints have been received against parish/town councillors. Two of the complaints have been considered by the Monitoring Officer and have been concluded as follows:

### **Complaint 1 – Allegations**

- you must not bully any person;
- you must not do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority; and
- you must not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute.

No breach of the Code was established. The complaint met the following preliminary tests:

#### Local Assessment Criteria

1.4(f) - the complaint is relatively minor and dealing with the complaint would have a disproportionate effect on both public money and officers' and Members' time; and

1.4(i) - the complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter, e.g., where there is no firm evidence on the matter.

### **Complaint 2 – Allegations**

- you must not bully any person;
- you must not do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority; and
- you must not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute.

No breach of the Code was established. The complaint met the following preliminary tests:

#### Local Assessment Criteria

1.4(f) - the complaint is relatively minor and dealing with the complaint would have a disproportionate effect on both public money and officers' and Members' time; and

1.4(i) - the complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter, e.g., where there is no firm evidence on the matter.

The remaining three complaints are currently being considered by the Monitoring Officer and concern the following allegations:

### **Complaint 1 – Allegations**

- you must not bully any person;
- you must, when using or authorising the use by others of the resources of the Authority ensure that such resources are not used improperly for political purposes (including party political purposes);
- you must not do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority;
- you must not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
  - (i) you have the written consent of a person authorised to give it; or
  - (ii) you are required by law to do so; or
  - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
  - (iv) the disclosure is: reasonable and in the public interest; and made in good faith and in compliance with the reasonable requirements of the Authority;
- you must not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute; and
- you must not use or attempt to use your position as a Councillor improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.

### **Complaint 2 – Allegations**

- you must not bully any person;
- you must, when using or authorising the use by others of the resources of the Authority ensure that such resources are not used improperly for political purposes (including party political purposes);
- you must not do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority;
- you must not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute; and
- use or attempt to use your position as a Councillor improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.

### **Complaint 3 – Allegations**

- you must not bully any person;
- you must, when using or authorising the use by others of the resources of the Authority ensure that such resources are not used improperly for political purposes (including party political purposes); and
- you must not do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority.

### **3. AVAILABLE OPTIONS**

- 3.1 The Committee could decide that they no longer wish to receive the updates on complaints under the Code of Conduct. This is not recommended as it is part of the Committee's general oversight function.
  - 3.2 That the Committee note the update on complaints received under the Members' Code of Conduct.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Option 3.2 that the Committee note the update on complaints received under the Members' Code of Conduct is recommended as it is important that the Committee continue to oversee the complaints received.
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### **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 Members of the Audit, Governance & Standards Committee and the Independent Person will be consulted on individual complaints, as and when necessary, in accordance with the relevant complaints' procedure.
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### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 As the report is for information only, no further action will be taken.
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### **8. REPORT APPENDICES**

None.

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### **9. BACKGROUND PAPERS**

None.

## Audit, Governance & Standards Committee

**13<sup>th</sup> March 2023**

### Risk Management Annual Report – 2022-23

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Katherine Woodward – Head of Audit
<b>Lead Officer and Report Author</b>	Alison Blake – Interim Deputy Head of Audit
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

The Audit, Governance & Standards Committee is required to provide oversight of the Council’s risk management arrangements and to seek assurances that the processes are working effectively. This report, which is presented annually, sets out the details of how the risk management processes have been working across the Council, and the work plan for the upcoming year.

#### **Purpose of Report**

The purpose of this report is to provide assurance to Members on the Council’s risk management arrangements. As those charged with governance, the Committee must seek assurance over the effectiveness of the operation of the process as required through its Terms of Reference.

#### **This report makes the following recommendations to this Committee:**

1. That the Risk Management Annual Report (Appendix 1) is **discussed** and **noted**.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	13 <sup>th</sup> March 2023

# Risk Management Annual Report – 2022-23

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, risk management is a key component in the Council's governance. Good governance underpins everything that the Council does.	Alison Blake – Interim Deputy Head of Audit
<b>Cross Cutting Objectives</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, risk management is a key component in the Council's governance and ensuring delivery of objectives.	Alison Blake – Interim Deputy Head of Audit
<b>Risk Management</b>	Risk management is the focus of this paper.	Alison Blake – Interim Deputy Head of Audit
<b>Financial</b>	Risk management support is provided through the Mid Kent Audit partnership within existing budgets. This decision therefore has no direct financial implications.  In general, effective risk management contributes towards strong financial governance and controls in the Council.	Alison Blake – Interim Deputy Head of Audit
<b>Staffing</b>	There are no staffing implications to this decision.	Alison Blake – Interim Deputy Head of Audit
<b>Legal</b>	The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This report is part of those arrangements and is designed to ensure that the appropriate controls are effective.	Alison Blake – Interim Deputy Head of Audit
<b>Privacy and Data Protection</b>	This is a report in the public domain, and there are no associated privacy or data protection implications.	Policy and Information Team
<b>Equalities</b>	This report does not describe circumstances which require an Equality Impact Needs Assessment.	Alison Blake – Interim

		Deputy Head of Audit
<b>Public Health</b>	While public health risks may be identified and reported through the risk management processes there are no public health implications for this report.	Alison Blake – Interim Deputy Head of Audit
<b>Crime and Disorder</b>	While crime and disorder risks may be identified and reported through the risk management processes there are no crime and disorder implications for this report.	Alison Blake – Interim Deputy Head of Audit
<b>Procurement</b>	While procurement risks may be identified and reported through the risk management processes there are no procurement implications for this report.	Alison Blake – Interim Deputy Head of Audit
<b>Biodiversity and Climate Change</b>	While biodiversity and climate change risks may be identified and reported through the risk management processes there are no biodiversity and climate change implications for this report.	Alison Blake – Interim Deputy Head of Audit

## 2. INTRODUCTION AND BACKGROUND

- 2.1 Risk management is the process undertaken to identify, evaluate and manage risks. In early 2016 the Council implemented a risk management framework designed to improve the risk management process. This included reporting and monitoring mechanisms for key risk information to be communicated to Senior Officer and Member level. This framework was last reviewed and updated in April 2019 to ensure that it remains fit for purpose and current.
- 2.2 The Audit, Governance & Standards Committee is required to provide oversight of the Council’s risk management arrangements and to seek assurances that the processes are working effectively. This report, which is presented annually, sets out the details of how the risk management processes are working across the Council.

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## 3. AVAILABLE OPTIONS

- 3.1 In order for any risk management process to be effective it is vital that risk information is reported, that risks are monitored and that action is taken to manage risks to an acceptable level. Reporting risks to Members is necessary to provide assurance that risks are being managed.
- 3.2 An alternative option would be to not report or monitor risks, but this would counter the effectiveness of the process, and would go against the terms of reference for this Committee.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Effective risk management is a key component of sound governance. This Committee, as those charged with governance, must gain assurance that the Council is operating an effective risk management process, and that risks are being managed.
- 4.2 We therefore propose that the Committee discusses and notes the arrangements in place, providing any comments as required on the operation of the risk management process.

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#### **5. RISK**

- 5.1 This report is presented for information only and in itself has no risk management implications. The work that it describes helps to contribute towards effective risk management.

#### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 The risk management framework was designed and updated through consultation with Corporate Leadership Team. All risk owners have been involved in the identification and assessment of the risks on the register.

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#### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 Unless requested otherwise, we will continue to report annually on the Council's Risk Management processes.

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#### **8. REPORT APPENDICES**

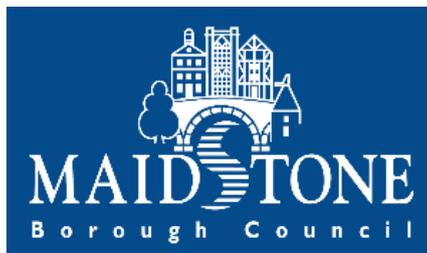
The following documents are to be published with this report and form part of the report:

- Appendix 1: Annual Risk Management Report – 2022-23

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#### **9. BACKGROUND PAPERS**

The risk management framework was reported to Policy and Resources Committee in April 2019 and is publicly available on the Council's [website](#).



# **Risk Management Annual Report**

**March 2023**

# Executive Summary

A key principle of good governance is managing the ***effect of uncertainties on the achievement of our objectives*** (our risks). Having arrangements in place to identify and manage our risks increases the probability of achieving corporate and operational objectives by controlling risks in balance with resources. Good risk management also increases our ability to cope with developing and uncertain events and helps to instil a culture of continuous improvement and optimisation.

The Risk Management Framework sets out how the Council identifies, manages and monitors risks. This includes the risk appetite statement, which articulates how much risk the Council is comfortable with and able to bear.

The purpose of this report is to provide assurance to Members of Audit, Governance and Standards Committee, that the Council has effective risk management arrangements in place. Moreover, that risks identified through this process are managed and monitored appropriately. This assurance is vital to enable the Committee to fulfil the responsibilities as set out in the Terms of Reference:

***“In conjunction with the relevant Policy Advisory Committee(s) to monitor the effective development and operation of risk management and corporate governance in the Council to ensure that strategically the risk management and corporate governance arrangements protect the Council.”***

## Roles & Responsibilities

We (Mid Kent Audit) are responsible for facilitating and coordinating the risk management processes across the Council. Our role includes regular reporting to Officers and Members, through the Corporate Leadership Team (CLT), Corporate Services Policy Advisory Committee (PAC) and the Audit, Governance & Standards Committee. We also provide workshops, training, and facilitate the effective management of risks throughout the Council.

Having valuable and up to date risk information enables both Executive and oversight functions to happen effectively. The Corporate Services PAC has overall responsibility for the risks identified through the risk process and will review the substance of individual risks to ensure that issues are appropriately monitored and addressed.

As those charged with governance and oversight the Audit, Governance & Standards Committee are required to seek assurance that the Council is **operating** an effective risk management process.

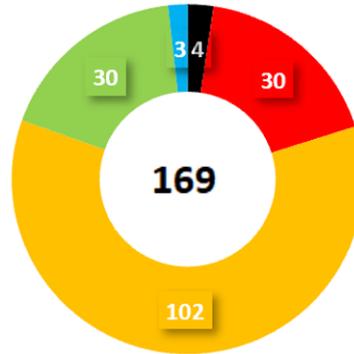
# Risk Management in Action – 2022/23

Throughout the year the risk management processes have operated in line with the Council’s Risk Management Framework (diag1). The following risk profile diagrams (diag2) show the current risk profile as reported to Audit, Governance and Standards committee in March 2022 and as at March 2023. The current risk represents the likelihood and impact of the risk based on our understanding of the future uncertainty at this moment in time. The diagrams summarise the changes to the profile with further explanation of these changes provided below.

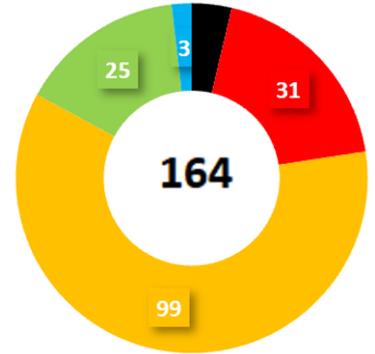


Diag 1

Current Risk Profile (Mar' 22)



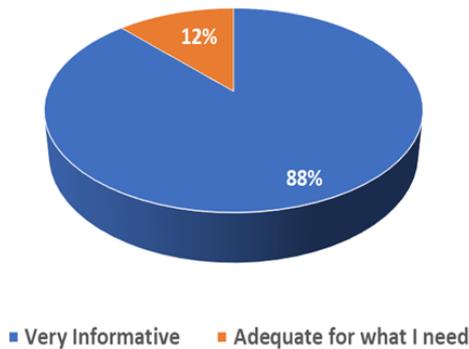
Current Risk Profile (Mar' 23)



Diag2

During the year we completed the roll out of the Council’s risk management software – JCAD. The software is available to all risk owners and senior management allowing them to view and update their risks. JCAD provides a more efficient risk management process and more effective reporting of risk information. Across Maidstone and Swale we delivered 84 training sessions on JCAD. Participants were surveyed and from the 16/66 (24% return rate) replies the following was noted:

In general, how did you find the overview and training session in relation to the introduction of JCAD?



How confident do you feel using the JCAD software to review and update your Risks?



*“I found the 1-2-1 session helpful and supported my needs to go at my own pace and ask the questions that were of concern/interest to me”*

**100%**  
Of the respondents found the training sessions interactive and engaging, allowing them to ask any questions they had

*“Great training session, haven't been in the system since so will need to refresh but I am sure I will get the hang of it as seems very user friendly”*

Additionally, we have provided several training sessions during the year to managers, risk owners and as part of the wider Staff Forum. The training has ranged from specific training on our risk management processes and ‘understanding controls’ to more general training and awareness raising on risk principles.

The Council continues to monitor and update its corporate risks. The corporate risks are those risks which have an affect across Council services and may affect delivery of the Council’s strategic priorities. Throughout the year these risks have been routinely updated by risk owners and reported quarterly to CLT and the Corporate Services PAC. The following table shows the Council’s corporate risks and how the risk score has changed throughout the year (as reported to Corporate Services PAC).

Corporate risk	Risk Owner	Corporate Priority	Current Risk				
			March 2022	June 2022	Sept 2022	Nov 2022	Feb 2023
Financial Uncertainty	Mark Green	✓ ✓ ✓ ✓	20	25	25	25	25
Diminished local retail and leisure sector	William Cornall	✓ ✓ ✓ ✓	25	25	25	25	16
Election failure / challenge	Angela Woodhouse	✓ ✓ ✓ ✓			25	25	25
Construction costs / contractor insolvency	William Cornall	✓ ✓ ✓ ✓	20	20	20	20	20
Environmental damage	Angela Woodhouse	✓ ✓ ✓ ✓	16	16	16	16	16
Housing pressures increasing	William Cornall	✓ ✓ ✓ ✓	16	16	16	20	20
Major unforeseen emergency	Alison Broom	✓ ✓ ✓ ✓	15	15	15	15	15
IT network failure	Georgia Hawkes	✓ ✓ ✓ ✓	12	12	12	12	12
Not fulfilling residential property responsibilities	William Cornall	✓ ✓ ✓ ✓	12	12	12	12	12
Major contractor failure	Mark Green	✓ ✓ ✓ ✓	12	12	12	12	12
Governance changes	Angela Woodhouse	✓ ✓ ✓ ✓	12	12	9	9	9
Covid-19: Restrictions to Council operations	Alison Broom	✓ ✓ ✓ ✓	12	Removed			
Ability to access / leverage new funding	Mark Green	✓ ✓ ✓ ✓	9	9	12	12	12
Reduced effectiveness of relationships with strategic partners	Alison Broom	✓ ✓ ✓ ✓	9	9	9	9	9
Resilience of the voluntary & community sector	Angela Woodhouse	✓ ✓ ✓ ✓	9	9	9	9	9
Loss of workforce cohesion and talent	Georgia Hawkes	✓ ✓ ✓ ✓	12	12	12	12	12
Covid-19: Community & business recovery	Alison Broom	✓ ✓ ✓ ✓	8	Removed			

### Headlines

The impact of the **financial uncertainty** risk increased from 4 to 5 because of worsening market factors. Planned actions have been identified to mitigate this risk, although even after implementation of these actions the risk is likely to remain high.

The risk of **failure or challenge of the May 2023** elections has been identified because of the Elections Act 2022 introducing voter ID. While the Council has mitigations in place to manage this risk there is a high dependency on external parties outside of the Council’s control.

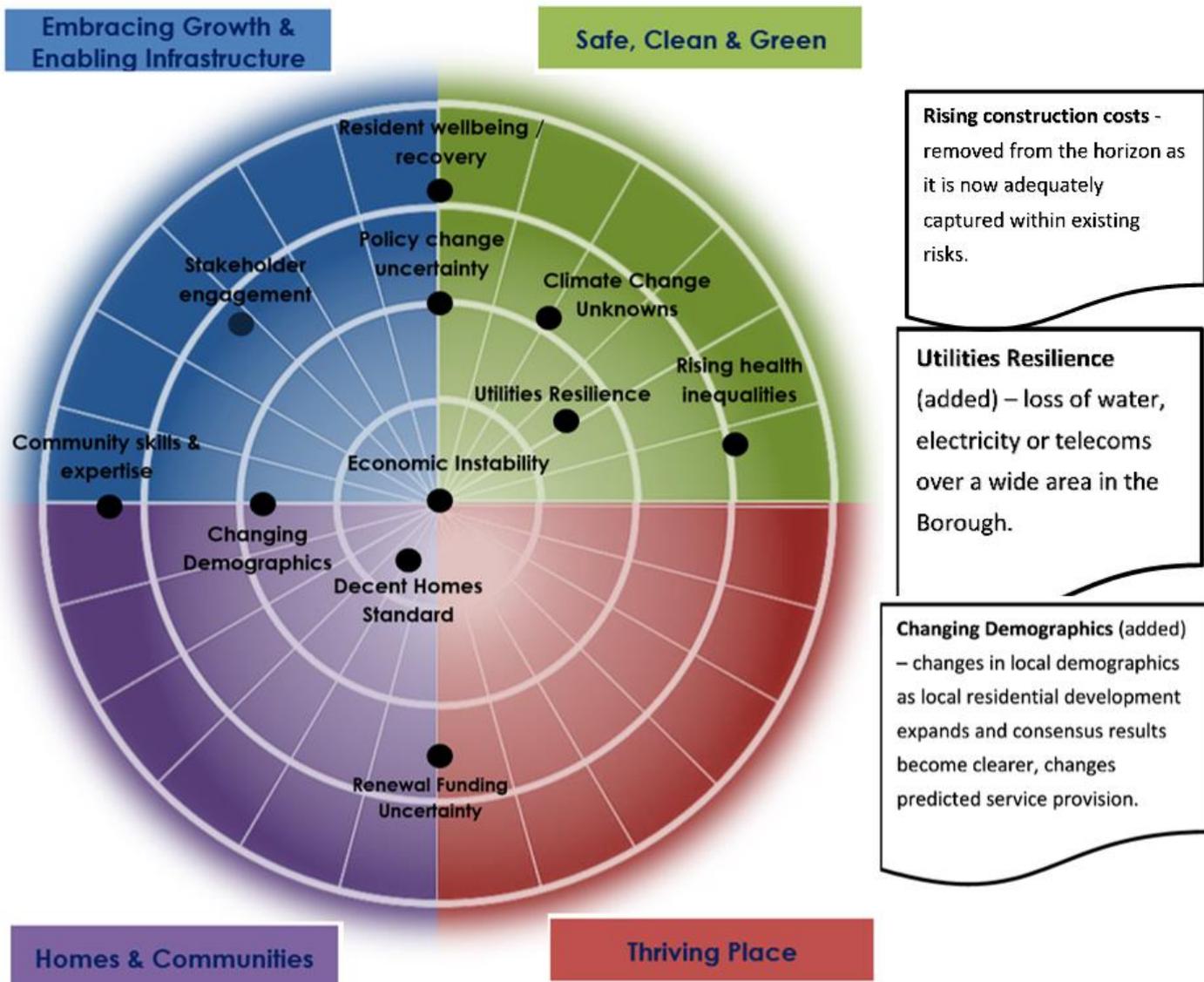
The two Covid-19 risks were removed from the corporate risk register. While some of the implications from the pandemic are still being managed and there are potential future risks as well, these are specific to certain areas and as such are captured within existing corporate or operational risks.

The **Governance Changes** risk decreased as the new executive model became more embedded.

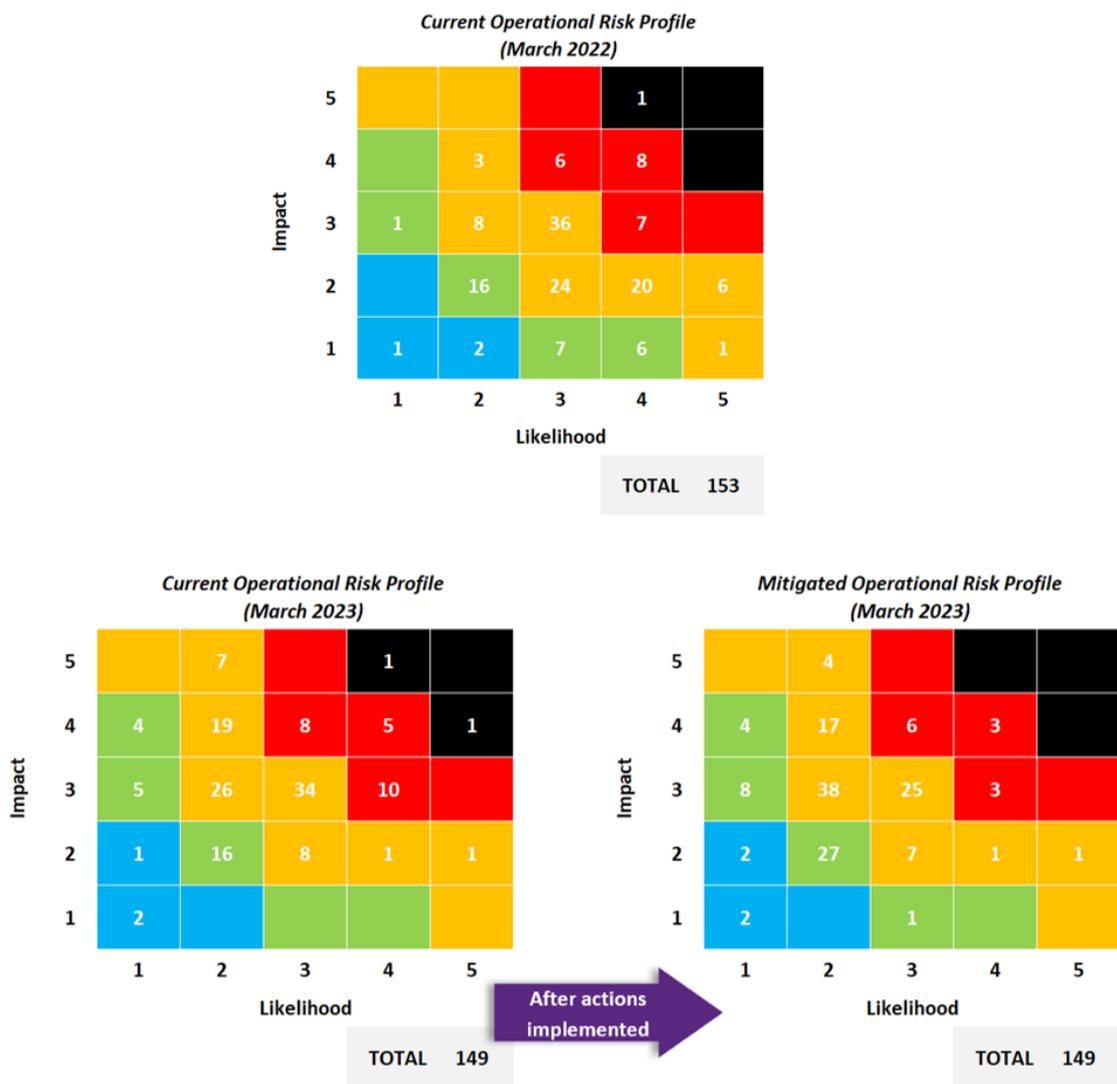
The **diminished local retail and leisure sector** risk (formerly *contraction in retail sector*) was re-framed and the scoring reduced to reflect how the sector is adapting to economic conditions.



To support the identification of corporate risks the Council monitors risks on the horizon – i.e. those risks which are not yet sufficiently clear to be able to articulate as risks and manage, but which could have a significant affect on the delivery of the Council’s strategic priorities. The risks on the horizon are monitored quarterly by CLT and the Corporate Services PAC. The diagram summarises the external threats aligned to each of our priorities with those closest to the centre being those likely to materialise soonest.



Operational risk registers for all services were refreshed during the summer alongside the roll out of JCAD. All Council services, including shared services, have identified risks which may affect delivery of their service objectives or wider Council priorities. Risk owners review and update operational risks in line with the Risk Management Framework with the highest (red/black) risks reviewed at least quarterly and reported to Corporate Leadership Team. The following matrices show the current risk profile at March 2022 and March 2023 – i.e. the risks as understood on those dates – and the Mitigated profile – i.e. the risk after planned actions are introduced.



As can be seen there are two black operational risks which are currently being managed and actions have been identified to reduce the risks. These risks are routinely monitored by Corporate Leadership Team, and are as follows:

Risk	Current Score	Mitigated Score
Waste Collection Contract costs increase. Annual contract financial review could result in increase in costs associated with the contract, or contract not being viable for the contractor.	15 x L4 20	14 x L4 16
Infrastructure improvements to road, rail, public transport, cycling, community & social infrastructure and broadband within the borough fail to take place.	14 x L5 20	14 x L3 12

## Risk Management in 2023/24

Due to resources within Mid Kent Audit the actual number of risk management days delivered in 2022-23 is lower than planned. Audit, Governance and Standards Committee agreed 59 days of risk management work. 38 days have been delivered to date and 46 are anticipated to have been delivered by year end. The focus of the work is as outlined in the previous section of this report, with originally planned work on updating the risk management framework and training Members not having progressed.

The following key areas of work have been identified for 2023-24:

- Review and update the Council's **Risk Management Framework** which has not been reviewed since 2019.
- Maintain **routine risk processes**, ensuring risks are reviewed and key risk information is reported in line with the Framework.
- Provide **risk training**, with a particular focus on ensuring Members have an adequate understanding of the Framework and their responsibilities.
- Refresh the Council's **Corporate Risk Register** with Members and senior management to ensure risks to the Council's strategic priorities are adequately captured.
- Continue to refine and enhance **JCAD**, in particular building on its reporting capability.

Additionally, the Council could enhance its risk management arrangements in the following areas. Although, delivery of this work is dependent on Mid Kent Audit resources being available:

- **Project risk management** to ensure significant projects are identifying, assessing and managing their key risks in line with the Council's risk appetite.
- To review and update how risk is considered as part of **decision-making** reports to Members.

The overall number of days for this work would be between 47 and 53 days and have been considered within the context of the wider Mid Kent Audit plans for 2023-24 and the resources available.

# Agenda Item 13

## **Audit, Governance and Standards Committee**

**13 March 2023**

### **Internal Audit and Assurance Plan 2023/24**

<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service</b>	Katherine Woodward – Head of Mid Kent Audit Partnership
<b>Lead Officer and Report Author</b>	Katherine Woodward – Head of Mid Kent Audit Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

The report summarises the risk assessment and consultation process undertaken by Internal Audit to compile the programme of work that will lead up to the 2023/24 Head of Internal Audit Opinion.

#### **Purpose of Report**

Decision

#### **This report makes the following recommendations to this Committee:**

1. That the Internal Audit & Assurance Plan for 2023/24 at Appendix 1 to this report be approved. This includes delegating to the Head of Audit Partnership to keep the plan current for in-year emerging risks.
2. That the Head of Audit Partnership's view that internal audit currently has sufficient resources to deliver the plan and a robust Head of Audit Opinion be noted.
3. That the Head of Audit Partnership's assurance that the plan is compiled independently and without inappropriate influence from management be noted.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	13 March 2023

# Internal Audit and Assurance Plan 2023/24

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities or cross cutting objectives. However, they will support the Council's overall achievement of its aims by contributing to effective corporate governance.	Katherine Woodward – Head of Mid Kent Audit Partnership
<b>Cross Cutting Objectives</b>		
<b>Risk Management</b>		
<b>Financial</b>		
<b>Staffing</b>		
<b>Legal</b>	The Accounts and Audit Regulations 2015 contain provisions on internal audit. The Regulations require that the Council undertakes an effective internal audit taking into account public sector internal auditing standards. The Standards require that the Head of Audit Partnership provides an annual opinion based on objective assessment of the framework of governance, risk management and control. Therefore, the Council is required to consider and approve an Internal Audit & Assurance Plan for 2023/24 to maintain regulatory conformance.	Legal Team
<b>Privacy and Data Protection</b>	Accepting the recommendations will increase the volume of data held. We will hold that data in line with our retention schedules.	Policy and Information Team
<b>Equalities</b>	There are no direct equalities implications associated with this report.	Policy & Information Manager
<b>Public Health</b>	There are no direct public health implications associated with this report.	Public Health Officer

<b>Crime and Disorder</b>	There are no direct crime and disorder implications associated with this report.	Katherine Woodward – Head of Mid Kent Audit Partnership
<b>Procurement</b>	There are no direct procurement implications associated with this report.	Mark Green – Director of Finance & Business Improvement
<b>Biodiversity and Climate Change</b>	There are no direct biodiversity and climate change implications associated with this report.	Biodiversity and Climate Change Officer

## **2. INTRODUCTION AND BACKGROUND**

- 2.1 The Public Sector Internal Audit Standards (the “Standards”) require the audit Partnership to produce and publish a risk based plan, at least annually, to determine the priorities for the year. The plan must consider input from senior management and Members and be aligned to the objectives and risks of the Council.
- 2.2 The purpose of this report is to set out the annual assurance plan 2023/24 to Members. The report details how the plan is devised, the resources available through the Partnership and the specific audit activities and engagement delivered over the course of the year.
- 2.3 The Committee needs to obtain assurance on the effectiveness of the control environment, governance and risk management arrangements. The principal source of this assurance is derived from the annual assurance plan.
- 2.4 Standards explicitly support that the plan is flexible and responsive to emerging and changing risks across the year. Therefore the 2023/24 plan includes audit reviews that are high priority and those that are medium priority. By taking this approach we are able to achieve flexibility within the plan and ensure that the plan remains relevant throughout the year.

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## **3. AVAILABLE OPTIONS**

- 3.1 There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The Accounts and Audit Regulations 2015, more specifically require that the audit takes into account the Public Sector Internal Audit Standards. The Council could decide that it does not want a programme of work for the audit service, however, this would go against professional Standards.
- 3.2 The appendix sets out the proposed plan for 2023/24, including background details on how we compiled the plan and how we propose to

manage its delivery. The proposal is for the Committee to consider and approve the plan.

- 3.3 We confirm to Members that, although the plan has undergone broad consultation with management, it is compiled independently and without being subject to inappropriate influence.
- 3.4 The Committee as part of its terms of reference must retain oversight of the internal audit service and its activities. This includes the Committee's role to formally consider and approve the plan.
- 

#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 We recommend Members approve the attached audit and assurance plan. The plan has been created through a process conforming with appropriate Standards and Regulations and in consultation with a broad range of officers. The Head of Audit Partnership believes this is the appropriate plan of work to support his opinion at year end.
- 

#### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 We consult with Managers, Heads of Service and Directors throughout the year as we undertake our work, but also specifically as part of the audit planning process. The plan attached represents the collective views of management and the audit service.
- 5.1 The overall resource allocation between the partners is consistent with the collaboration agreement and discussed with the Shared Service Board.
- 

#### **6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 On approval we will begin work towards delivering the approved plan immediately. We will report to Members on progress in the autumn and raise any urgent matters as set out in the audit charter.
- 

#### **7 REPORT APPENDICES**

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

- Appendix 1: Internal Audit and Assurance Plan 2023/24
- 

#### **8 BACKGROUND PAPERS**

None

**Internal Audit & Assurance Plan  
2023/24**

**Maidstone Borough Council**



# MID KENT AUDIT

## Introduction

1. This risk-based internal Audit Plan for 2023/24 provides adequate coverage to enable an annual Head of Audit Opinion to be made at the end of the financial year.
2. It is important that this Audit Plan has the flexibility to adapt and adopt to the changes and business priorities as they develop during the forthcoming financial year.

## Risk Assessments

3. The Public Sector Internal Audit Standards direct that audit planning is built upon a risk assessment. This assessment must consider internal and external risks, including those relevant to the sector or global risk issues. This Plan for 2023/24 represents the current views now, but it will be necessary to continue to reflect and consider the audit response as risks and priorities change across the year. A specific update report will be provided to Members midway through the year.

## Global and Sector Risks

4. In considering global and sector risks the risk assessment draws on various sources such as the IIA and CIPFA.
5. This year will continue to be another challenging year for Local Government in terms of funding, managing additional recruitment and technological advancement, which in turn may impact on the adequacy and effectiveness of the governance, risk and control framework of the Council. A number of key areas which require consideration when planning the internal audit coverage are set out below. These areas cut across many of the activities carried out by the Council. These areas are not a full listing, nor are they in any priority order. Indeed many are not mutually exclusive of each other.

**“Multi-channel” customer engagement:** Partly as a result of COVID-19 but also as process changes through improved technology, councils will need to embrace cutting edge technology. Adopting a multi-channel approach to customer engagement will enable council services to be more readily available, more accessible and more transparent.

**Commercialisation:** Councils are being driven towards being more self-sufficient and cost effective, with pressure to close funding gaps and rebalance budgets. Councils will already be operating in different financial and more commercial environments



# MID KENT AUDIT

which have been tested by the business disruption associated with the COVID Pandemic.

**Cyber Security:** As more services move on-line, risks and vulnerabilities are likely to increase. Cyber security is as much about awareness and behaviours as it is about network security. Resilience needs to be regularly and stringently stress tested across the organisation to ensure it is operating effectively.

**Financial Viability:** With Council's emerging from the pandemic and Brexit, Councils have been faced with the reality of unbalanced medium financial plans without including significant potential savings. This has been further exaggerated as the country faces a cost-of-living crisis and is on the fringes of recession. The challenge to ensure a balanced budget is becoming more difficult for all councils.

**Staff Wellbeing:** Since the COVID-19 pandemic and a move to more agile working, mental health has been on the decline as a result of increased work demands and feelings of loneliness due to remote working. Staff turnover is at an all-time high. Managing the wellbeing and associated risks is crucial to ensure a stable workforce.

**Climate Change:** Councils are taking action to reduce their own carbon emissions and working with partners and local communities to tackle the impact of climate change on their local area.

**Inflation:** The forecast rises in inflation after a long period of stability has had an impact upon term contracts as well as budget management.

## Council specific Audit Risk Review

6. This risk review incorporates two elements. The first element is the service's relative materiality to the Council's overall objectives and controls. The assessment includes consideration of:



**Finance Risk:** The value of funds flowing through the service.



**Priority Risk:** The strategic importance of the service in delivering Council priorities.



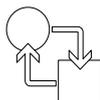
**Support Service Risk:** The extent interdependencies between Council departments.

# MID KENT AUDIT

7. The second element considers the reputational aspects of a failure of the effective operation of the internal control arrangements. The assessment includes consideration of:



**Oversight Risk:** Considering where other agencies regulate or inspect the service.



**Change Risk:** Considering the extent of change the service faces or has recently experienced.



**Audit Knowledge:** What do we know about the service? This considers not just our last formal review, but any other information we have gathered from, for example, following up agreed actions. We also consider the currency of our knowledge, with an aim to conduct a full review in each service at least every five years if possible.



**Fraud Risk:** The susceptibility of the service to fraud loss.

## Audit Risk Prioritisation

8. The results of these various risk assessments provide a provisional Audit Plan. The provisional Plan is consulted on with the Managers, Heads of Service and Corporate Leadership Team to get their perspective on the audit assessment and from this the Risk Based Audit Plan for the financial year is produced.

## Resourcing the Audit Plan

9. MKA is currently going through a period of significant staffing change. There are several vacant posts within the team The Head of Mid Kent Audit is currently reviewing the structure. It is likely to be July 2023 at the earliest before all the substantive posts are filled.
10. MKA also have access to sources of specialist expertise through framework agreements with audit firms, which includes access to subject matter experts.
11. The overall resource level is therefore based on the current audit team establishment and the chargeability for each grade. This calculation produces an available number of days across the four Councils to which MKA provides the internal audit service of 1,589 days.

# MID KENT AUDIT

12. Each Council receives a share in keeping with their contribution to the overall partnership budget. The Collaboration Agreement is to be subject to a comprehensive review during 2023/24. The Maidstone Audit Plan for 2023/24 is broadly based on the current Collaboration Agreement, but taking into account the level of work required to deliver an annual Audit Opinion for each authority. This approach has identified 436 days to assign for the 2023/24 audit plan.
13. We hold a variety of qualifications that help to ensure that we provide a high-quality service. These include CIPFA, Certified and Chartered Internal Auditors, a Chartered Accountant, a Certified Risk Manager and Accredited Counter Fraud Technicians. We are also supporting an apprentice through level 7 audit qualification. This breadth of skills and experience, along with any new staff we will recruit as part of the review of the team will enable delivery of the audit plan.
14. 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.
15. The actual number of days allocated are set out below:

<b>Audit Projects</b>	<b>270 days</b>	<b>Members Support</b>	<b>20 days</b>
<b>Consultancy</b>	<b>29 days</b>	<b>Risk &amp; Governance</b>	<b>53 days</b>
<b>Follow-up</b>	<b>22 days</b>	<b>Counter Fraud</b>	<b>18 days</b>
<b>Audit Planning</b>	<b>24 days</b>		

## Risk Based Audit: 270 Days

16. The primary part of Audit Plan is delivering risk based audit engagements. The list below is in alphabetical and do not imply any ranking within the group or intended delivery order. The timings for the individual reviews will be agreed with a suitable officer sponsor once the Plan has been approved.
17. The Audit Plan has been prepared in the knowledge that there is ongoing work throughout 2023/24 on reviewing the staffing and procedural efficiencies and Collaboration Agreements for Mid Kent Audit Partnership. Any proposed changes to the Audit Plan and the rationale for such changes, will be communicated to Senior Management Teams and Audit Committee Members.



# MID KENT AUDIT

18. Below we set out our audit engagements for the year ahead. We will agree the detailed objectives with the service as part of planning each review:

## Maidstone Borough Council Audit Plan 2023/24

Project Title	Previous Audit	Previous Results
Contract Management	2017/18	Weak
Social Media	2019/20	Sound
Safeguarding	2015/16	Weak
Safety Partnerships – Animal Welfare	2017/18	Weak
Elections Management	2016/17	Sound
Conservation and Heritage		None
Planning Enforcement	2018/19	Weak
General Ledger	2016/17	Sound
Insurance	2017/18	Sound
Grounds Maintenance	2015/16	Sound
Complaint Handling	2017/18	Sound
Public Health	2016/17	Sound
Economic Development - Development Capital Projects		None
Repair and Maintenance		None
Garden Waste		None
<b>Shared MBC/SBC</b>		
HR Policy Compliance	2017/18	Sound
Learning & Development	2015/16	Sound
<b>Shared MBC/SBC/TWBC</b>		
Land Charges	2017/18	Weak
Cyber Security	2018/19	sound
IT Disaster Recovery	2017/18	sound
Compliance with Computer use policy	2014/15	sound
<b>Shared MBC/TWBC</b>		
Council Tax Reduction Scheme	2018/19	Sound
Business Rates	2017/18	Strong

# MID KENT AUDIT

## Follow-up of Agreed Actions: 22 days

19. Time has been allocated to following up the actions arising from internal audit recommendations made and reporting the results to Senior Officers and Members.

## Consultancy & Member Support: 49 days

20. A consultancy allocation provides general and specific extra advice or training to the Council. This allocation also provides support to Members, through attendance at and reporting to Committees.
21. This fund also provides a contingency to avoid having to cut short engagements and allow full exploration of significant findings.

## Risk Management: 53 days

22. At Maidstone MKA's responsibility encompasses tasks such as leading the risk management framework, keeping and updating strategic and operational risk registers. The responsibility for managing the identified risks remains with the relevant risk owners. MKA also compiles risk reporting to Senior Officers and Members, including an annual report to this Committee.
23. The plans for developing risk management in 2023/24 are set out in the Annual Risk Management Report.

## Planning: 24 days

24. This time is allocated to complete the major part of the annual planning exercise, including updating risk assessments and consultation across the Council. The time is also used for identification of risks and issues across the Council, the wider public sector and the audit profession. This ensures the Audit Plan can remain dynamic and responsive to risk through the year.

## Counter Fraud Support: 18 days

25. At Maidstone MKA'S responsibilities include writing and updating Counter Fraud and Whistleblowing policies, providing a channel for officers to raise concerns under the Public Interest Disclosure Act. MKA also acts as lead contact for the National Fraud Initiative, a data matching exercise co-ordinated by the Cabinet Office.
26. For 2023/24 it is intended to compile more detailed procedures for investigations, drawing on Cabinet Office Standards. We also aim to draw up training to support

# MID KENT AUDIT

compliance with the Bribery Act and make clear where people should report any matters of concern.

26. The counter fraud support also includes conducting investigations on matters of concern. Additional time may be required for such work, and this will be drawn from the consultancy budget above.

# Agenda Item 14

## **Audit, Governance & Standards Committee**

**13 March 2023**

### **External Auditor's Progress Report & Sector Update**

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

#### **Executive Summary**

This report from the Council's External Auditor, Grant Thornton provides an update on progress with auditing the 2021/22 Statement of Accounts.

Representatives from Grant Thornton will be in attendance at the meeting to present their report and respond to questions.

#### **Purpose of Report**

Noting

#### **This report makes the following recommendations to this Committee:**

1. That the external auditor's audit progress report, attached at Appendix 1 be noted.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	13 March 2023

# External Auditor's Progress Report & Sector Update

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's ability to discharge its responsibilities in relation to the 2021/22 financial statements audit and value for money conclusion.	Director of Finance, Resources and Business Improvement
<b>Cross Cutting Objectives</b>	The recommendations set out above will not have any material impact on the cross-cutting objectives.	Director of Finance, Resources and Business Improvement
<b>Risk Management</b>	This report is presented for information only and has no decisions which give rise to risk management implications.	Director of Finance, Resources and Business Improvement
<b>Financial</b>	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2022, and details the council's assets, liabilities and reserves at this date. The work of the external auditor provides independent assurance over this information.	Director of Finance, Resources and Business Improvement
<b>Staffing</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Legal</b>	The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities.	Interim Team Leader (Contentious and Corporate Governance)

<b>Privacy and Data Protection</b>	None identified.	Director of Finance, Resources and Business Improvement
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Equalities & Communities Officer
<b>Public Health</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Crime and Disorder</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Procurement</b>	No implications identified.	Director of Finance, Resources and Business Improvement
<b>Biodiversity and Climate Change</b>	There are no implications on biodiversity and climate change.	Biodiversity and Climate Change Officer

## 2. INTRODUCTION AND BACKGROUND

2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance & Standards Committee, and for 2021/22 that deadline was 30<sup>th</sup> November 2022. However, Members will be aware from previous meetings that the final part of the external audit process for 2021/22 was not scheduled to commence until January 2023 due to resourcing issues on the part of the external auditor and the need to conclude the audit of the 2020/21 Statement of Accounts.

- 2.2 The external auditor’s report provides an update on progress to date as well as a sector update. Representatives from Grant Thornton will be present at the meeting to present the report and answer any questions.
- 

### **3. AVAILABLE OPTIONS**

- 3.1 As the committee charged with responsibility for overseeing the financial reporting process, the Audit, Governance and Standards Committee is asked to consider and note this report. The committee could choose not to consider this report; however, this option is not recommended since the report is intended to assist the committee in discharging its responsibilities in relation to external audit and governance.
- 

### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The committee is asked to note this report. The report provides an update on the external audit process for 2021/22 and it is considered appropriate for the committee to receive this information at this time.
- 

### **5. RISK**

- 5.1 This report is presented for information only and has no decisions which give rise to risk management implications.
- 

### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 No consultation has been taken in relation to this report.
- 

### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 Next steps are outlined within Appendix 1.
- 

### **8. REPORT APPENDICES**

- Appendix 1: External Auditor’s Progress Report & Sector Update
- 

### **9. BACKGROUND PAPERS**

None

# Maidstone Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2022

March 2023

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction



Sophia Brown

**Key Audit Partner**

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This paper provides the Audit, Governance and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority; and

Members of the Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Engagement Manager.



Trevor Greenlee

**Engagement Manager**

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# Progress at March 2023

## 2020/21 audit

We reported the findings from our 2020/21 audit in our updated Audit Findings Report to the November 2022 Audit, Governance and Standards Committee. We gave an unqualified opinion on the 2020/21 financial statements on 18 November 2022.

Our final fee for the 2020/21 audit is £71,866. This compares with our Audit Plan fee of £61,866. The additional fee reflects the volume of work associated with the technical issues and audit amendments reported in our Audit Findings Report, in particular those relating to the accounting for the Brunswick St./Union St. housing developments and the calculation of the Council's capital financing requirement.

Our final fee is subject to approval by Public Sector Audit Appointments.

## 2021/22 audit

### Financial statements

The Council originally published draft 2021/22 financial statements in July 2022.

Given the nature of the issues identified in the 2020/21 accounts our risk assessment framework required a detailed review (or "hot review") of the 2021/22 draft accounts by our audit technical team. We shared the outcomes from this review with management in November 2022. A significant number of points required further action.

A number of amendments to the 2020/21 accounts agreed after July 2022 also had implications for the 2021/22 accounts. Given the issues identified by the hot review and our 2020/21 audit it was agreed that these would require material changes to the version of accounts published in July 2022 and therefore that a revised draft of the

2021/22 accounts would be produced before the start of the 2021/22 audit.

The need to prioritise other finance team work meant that this revised draft was first made available on 11 January 2023. This initial draft excluded the Cash Flow statement. A complete version of accounts including the Cash Flow Statement was made available on 20 February 2023.

Our audit of the 2021/22 accounts commenced in early January 2023. The overall volume of audit work which will be required has increased in 2021/22, in part due to issues arising from the hot review but also the continuing impact of FRC requirements, changes to auditing and accounting standards and developments in our audit approach.

We have agreed a framework of arrangements with management to progress the audit. The approach from officers has been positive. However, there have also been competing demands on key members of the finance team over this period, in particular relating to budget-setting, billing and financial reporting; these pressures have prevented the team from responding promptly to all queries and this has caused some delays to the audit process.

The timing of the audit has also had some impact on the make-up of the audit team; although a full team has been engaged on the audit since early January, the team is generally new to Maidstone and it is recognized some members have limited previous experience of local government audit.

At the time of writing this report the key areas of outstanding work are;

**Audit sample testing:** Audit work in many areas involves sample testing of transactions. A summary of the current position is at page 6. This summary excludes work on collection fund reliefs and discounts where we are awaiting the relevant reports to allow the selection of samples for testing. All audit work remains subject to review procedures.

# Progress at March 2023 (cont.)

**Information from the Council's external valuer:** Our work on Property, Plant and Equipment (PPE) and investment property revaluations will require supporting information from the Council's external valuer. We provided an information request to the external valuer on 16 February and have followed up on a number of occasions without obtaining an acknowledgement. This has now been provided on 1 March. We understand work to address our audit queries is now in progress.

**Hot review queries:** A number of the issues raised by the hot review were addressed by the revised set of accounts received in January 2023. However, other issues will require further work by management to clarify the position. Initial responses have currently been provided for 37 items with responses for 13 items still to be received. We are currently working through the information provided. Review and clearance by the audit technical team of all responses will be required before concluding our audit.

We are currently aiming to conclude our audit in April 2023, ahead of starting our work on NHS accounts, and to report our findings to the July 2023 Audit, Governance and Standards Committee. However, completion of our work on this timescale will only be possible if ;

- there is prompt action to provide the remaining sample items and respond to the outstanding queries; and
- no significant issues arise which require detailed investigation or further significant audit amendments.

It will also depend on there being sufficient appropriate capacity on the audit side to progress any outstanding work.

Subject to the completion of work on our 2021/22 audit our aim is to commence planning work on our 2022/23 audit in July 2023.

## Value for money

Our 2021/22 value for money work commenced in March 2023.

We report the findings from our value for money work in our Auditor's Annual Report. Under guidance issued by the National Audit Office we are required to issue our Auditor's Annual Report no more than three months after the date of the opinion on the financial statements.

We are aiming to complete our value for money work in April 2023. We anticipate reporting our findings in line with the guidance issued by the National Audit Office.

## Other areas

### Events

We provide a range of workshops, networking events for members and publications to support local authorities. Your officers attended our 2022/23 Accounts Workshop in February 2023, where we identified financial reporting and audit issues relevant to the 2022/23 local authority accounts.

## Outstanding invoice

The Council's audit is performed under the framework of arrangements stipulated by Public Sector Audit Appointments, including the need to pay a fee for the audit. Audit fees are invoiced using a quarterly billing cycle.

Our invoice for the Q3 and Q4 fees in respect of the 2021/22 audit was issued in June 2022. This invoice remains unpaid. The issue has been raised on a number of occasions with management.

We are not aware of any other councils audited by GT (approximately 40% of all local authorities) which have not paid the 21/22 fee as required by the contract with PSAA .

Our firm's risk assessment procedures will require this issue to be resolved before we can perform any work on the 2022/23 audit.

# Progress at March 2023 (cont.)

Sample Area	Sample size	Items to be provided by the finance team	Follow-up query with the finance team	With audit for processing	Items cleared
Payroll	31	0	0	0	31
Journals	25	0	15	0	10
PPE and investment property (additions and transfers)	22	1	7	12	2
↳ PPE and investment property (revaluations)	46	0	46 (external valuer input required)	0	0
Other Expenditure and REFCUS	25	5	0	2	18
Housing benefit payments	12	0	0	12	0
Debtors and creditors	46	28	0	0	18
Grant income (including capital grants)	15	7	0	8	0
Fees and charges income (including investment property rental income)	24	2	0	7	15
Capital grants received in advance and Capital receipts	12	7	0	0	5
Collection Fund	22	22	0	0	0

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 408 264 437"><b>Audit Plan</b></p> <p data-bbox="120 456 1323 560">We are required to issue a detailed audit plan setting out our proposed approach to give an opinion on the 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	November 2022	Issued
<p data-bbox="120 584 421 612"><b>Audit Findings Report</b></p> <p data-bbox="120 632 1263 660">The Audit Findings Report summarises the outcomes from our financial statements audit.</p>	July 2023	To be completed
<p data-bbox="120 700 338 729"><b>Auditors Report</b></p> <p data-bbox="120 748 736 777">This is the opinion on your financial statements.</p>	July 2023	To be completed
<p data-bbox="98 817 450 845"><b>4 Auditor's Annual Report</b></p> <p data-bbox="120 865 1155 893">This Report communicates the key issues arising from our Value for Money work.</p>	July 2023	To be completed

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Audit Market Developments

## Financial Reporting Council Report On The Quality Of Local Audit

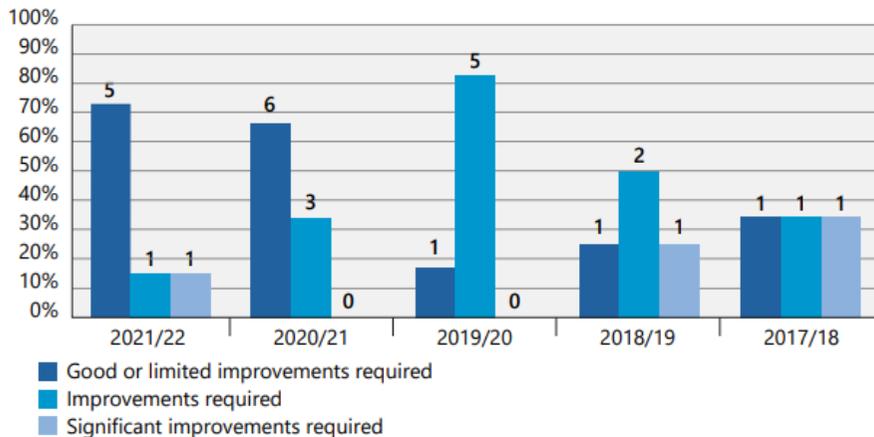
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

### Our assessment of the quality of financial statement audits reviewed



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



# Audit Market Developments (continued)

## Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



# Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



# Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

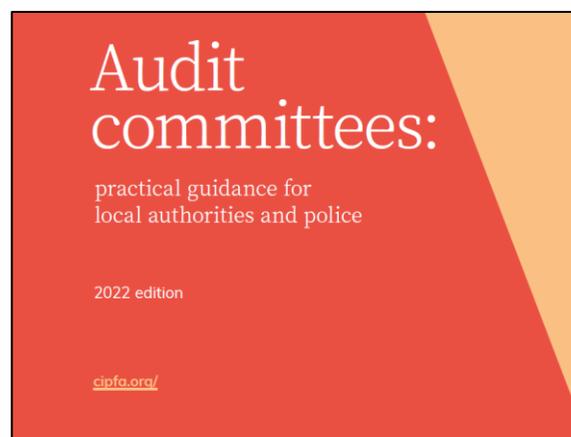
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



# Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)



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## **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

**13 March 2023**

### **Budget Strategy – Risk Assessment Update**

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

#### **Executive Summary**

As the financial year end for 2022/23 approaches, there is a reasonable level of confidence that the Council will remain within budget for the year. Looking forward to 2023/24, Council set a balanced budget for the year at its meeting on 22<sup>nd</sup> February 2023. However, there are a number of significant risks that the Council faces in continuing to deliver its strategic priorities within the budget framework:

- There are a number of significant service pressures, notably the Council's obligation to provide temporary accommodation. Whilst the budget allows for current levels of demand continuing over the medium term, there is a risk that expenditure could increase still further.
- £700,000 of ongoing new revenue budget expenditure in 2023/24 has been funded from one-off sources, which creates further pressure to deliver savings in future years.
- The Council has an ambitious capital programme. Capital investment is subject to a high degree of risk, arising from the volatility of input prices and the inherent risk associated with construction projects. Additional costs will make it more difficult to fund the capital programme.
- The long delayed 'fair funding settlement' by the government, whilst now unlikely to be implemented before the next General Election, may impact Maidstone adversely.

#### **This report makes the following recommendations to this Committee:**

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

#### **Timetable**

<b><i>Meeting</i></b>	<b><i>Date</i></b>
Audit, Governance and Standards Committee	13 March 2023

# Budget Strategy – Risk Assessment Update

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	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
<b>Cross Cutting Objectives</b>	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance, Resources and Business Improvement
<b>Risk Management</b>	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
<b>Financial</b>	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
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
<b>Legal</b>	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
<b>Privacy and Data Protection</b>	No implications.	Director of Finance, Resources and Business Improvement
<b>Equalities</b>	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
<b>Public Health</b>	None identified.	Director of Finance, Resources and Business Improvement
<b>Crime and Disorder</b>	None identified.	Director of Finance, Resources and Business Improvement
<b>Procurement</b>	None identified.	Director of Finance, Resources and Business Improvement
<b>Biodiversity and Climate Change</b>	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 Current financial monitoring indicates that we will remain within budget for the 2022/23 financial year. The main risk is the surge in numbers presenting as homeless and requiring temporary accommodation. This was estimated in the most recent quarterly monitoring reports as giving rise to an additional pressure in 2022/23 of £735,000. Anticipated underspends elsewhere offset the £735,000 pressure and are expected to allow the Council's budget to remain within balance overall.
- 2.3 The Council's balance sheet position remains strong. Estimated unallocated General Fund reserves at 31 March 2023 are expected to amount to £11 million. The Council's liabilities include long term borrowing of just £5 million.

### **Future position – 2023/24 and subsequent years**

- 2.4 The Council set a balanced budget for the financial year 2023/24 at its meeting on 22 February 2023. In the report that I am required to give on the budget proposals in accordance with Section 25 of the Local Government Act 2003, commenting on the robustness of the financial estimates and the adequacy of the Council's reserves, I drew members' attention to a number of different risks facing the Council, notably the following.

### **Growth pressures**

- 2.5 The budget reflects potential additional expenditure and income shortfalls to the extent that these are known currently, so (for example) an allowance has been built into the budget for continuing high levels of demand for temporary accommodation. However, it is possible that increased pressure and/or new pressures could emerge over time.

### **Funding from central government**

- 2.6 The Council no longer receives Revenue Support Grant, but it is due to receive £4.7 million in unringfenced government grants in 2023/24 (New Homes Bonus, Services Grant and Funding Guarantee). Council decided when setting the 2023/24 budget to allocate £300,000 of this for spatial policy and planmaking and £400,000 to increase the salary budget envelope.
- 2.7 As the Council cannot assume that these grants will continue at the present level in the future, it would have been prudent to treat them as one-off funding and not deploy them to meet ongoing commitments. There is

therefore a risk in particular in using £400,000 to increase the salary budget envelope, as this represents an ongoing commitment to paying staff at a higher level. This will create an additional requirement to deliver savings in future years, which may not be possible without impacting service delivery and/or increasing fees and charges significantly.

- 2.8 Although the Council no longer receives Revenue Support Grant, other sources of income are affected by the local government funding regime. Council Tax increases are subject to a referendum limit set by central government. The share of business rates retained by the Council depends on the government's assessment of the borough's needs. The long delayed 'fair funding settlement', whilst now unlikely to be implemented before the next General Election, may impact Maidstone adversely.

### **Capital Programme**

- 2.9 The Council has an ambitious capital programme. 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. This higher level of debt means greater risk for the Council.
- 2.10 The cost of delivering the capital programme cannot be predicted with certainty. Construction costs are highly dependent on volatile raw material costs and on the availability of scarce labour resources. Construction projects inevitably bring a risk of unforeseen obstacles to completion, arising from ground conditions, adverse weather, etc.
- 2.11 80% of the capital programme is accounted for by housing investment. Of this, the majority is intended to be affordable housing, which would require a revenue subsidy currently estimated to be £50 million in total for the 1,000 affordable homes programme. Accordingly, the 2023/24 budget includes a transfer to the Housing Investment Fund, to be used to subsidise the Affordable Housing Programme. It should be noted that the transfer is less than would be required annually on current projections to fulfil the Council's aspirations to provide 1,000 affordable homes over a ten year period. In other words, the Council is not currently on track to deliver this strategic priority.

### **Availability of funding for Capital Programme**

- 2.12 It is assumed that funding will continue to be available for the capital programme. Historically the main source of funding for local authorities has been the Public Works Loan Board. The Council has however locked in £80 million of private sector borrowing at a competitive rate, to be drawn down between 2024 and 2026. Borrowing in excess of the initial £80 million will depend on the future pattern of interest rates and is therefore subject to risk.

### **Pay and price inflation**

- 2.13 The outlook for the UK economy will be very challenging over the next two years. Stagnant economic growth will be accompanied, in the short term at least, by high inflation. The future path of inflation is unclear but there is

risk that it may remain elevated for longer than mainstream projections currently indicate.

- 2.14 Inflation poses a particular challenge for the Council because, whilst input costs like salaries and contract costs are subject to inflation (and in some cases are explicitly linked to inflation indices), there are constraints on the amount by which income can be increased, in particular the Council Tax referendum limit. This makes inflation one of the top risks for the Council.
- 2.15 In light of the risks described above, the following changes are proposed to the budget risk register.

Ref	Risk	Factor considered	Implications for risk profile
A	Failure to contain expenditure within agreed budgets	Whilst the budget allows for current levels of service demand continuing over the medium term, there is a risk that expenditure could increase still further.	Impact – major (no change) Likelihood – possible (increased)
D	Planned savings are not delivered	£700,000 of ongoing new revenue budget expenditure in 2023/24 has been funded from one-off sources, which creates further pressure to deliver savings in future years.	Impact – major (no change) Likelihood – probable (increased)

2.16 Appendix A sets out 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.

2.17 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.

### **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.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Option 2 – It is recommended that the Committee notes the risk assessment.
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#### **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 is under way for the 2023/24 budget and the results will be reported to Members as part of the budget setting process.
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#### **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:

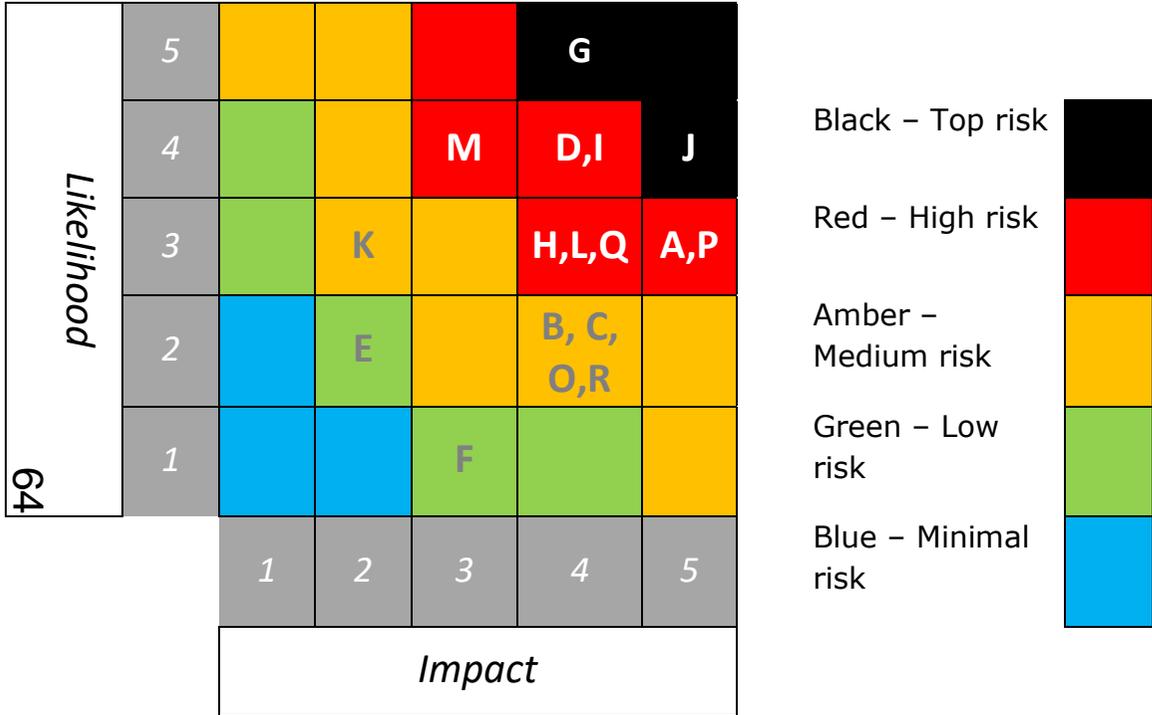
- Appendix A: Budget Strategy Risks
- 

#### **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.

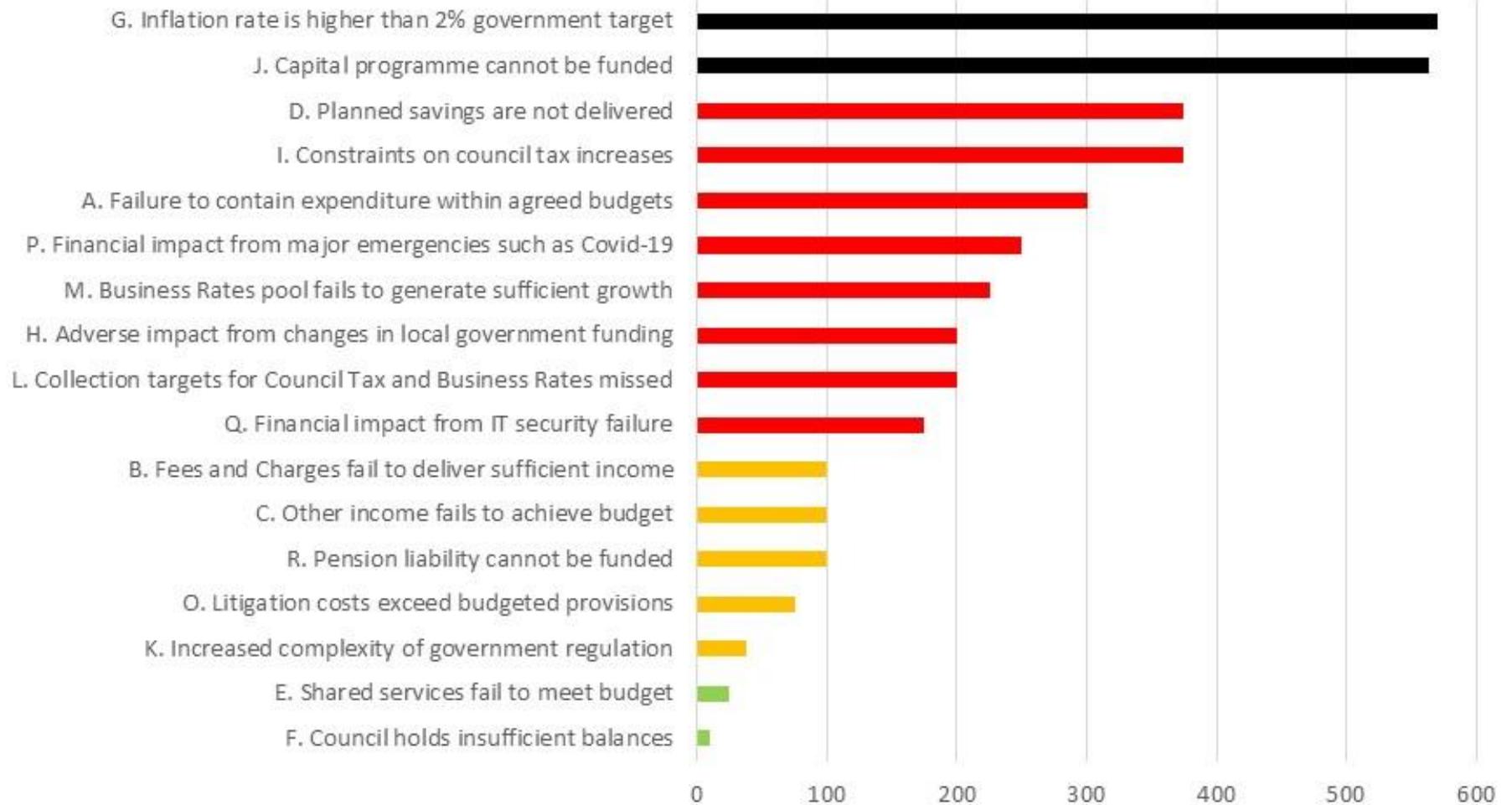


<b>A. Failure to contain expenditure within agreed budgets</b>	<b>J. Capital programme cannot be funded</b>
<b>B. Fees and Charges fail to deliver sufficient income</b>	<b>K. Increased complexity of government regulation</b>
<b>C. Other income fails to achieve budget</b>	<b>L. Collection targets for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

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	400	800	600	95	570
J. Capital programme cannot be funded	2	500	1,000	750	75	563
D. Planned savings are not delivered	3=	250	750	500	75	375
I. Constraints on council tax increases	3=	250	750	500	75	375
A. Failure to contain expenditure within agreed budgets	5	200	800	600	50	300
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



## 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  67	<p><b>Failure to contain expenditure within agreed budgets</b></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"> <li>- Embedded and well established budget setting process</li> <li>- Medium Term Financial Strategy</li> <li>- Balanced budget agreed by Council for 2023/24.</li> <li>- Strong controls over expenditure and established process for recovering from overspends</li> </ul>	5	3	15
B	<p><b>Fees &amp; Charges fail to deliver sufficient income</b></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"> <li>- Fees and charges are reviewed each year, paying careful attention to the relevant market conditions</li> <li>- Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income.</li> <li>- Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised.</li> </ul>	4	2	8
C	<p><b>Other income fails to achieve budget</b></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 order to pay back capital investment.</p>	<ul style="list-style-type: none"> <li>- The Council set aside a provision of £0.5m against losses from activities that do not deliver. This provision is cash limited but available to cover short term losses.</li> <li>- Individual risks associated with specific projects within the capital strategy will be assessed, both as part of the project</li> </ul>	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			appraisal process and during the course of delivering the projects.			
D	<p><b>Planned savings are not delivered</b></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"> <li>- 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.</li> <li>- Savings proposals are separately identified and monitored in the Council's general ledger.</li> <li>- The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees.</li> </ul>	4	4	16
88 E	<p><b>Shared Services</b></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><b>Insufficient Balances</b></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"> <li>- The Council has set a lower limit below which General Fund balances cannot fall of £4 million.</li> <li>- At the beginning of the 2023/24 financial year unallocated General Fund reserves are projected to be £11 million.</li> </ul>	3	1	3
G	<p><b>Inflation rate is higher than 2% government target</b></p>	<p>Unexpected rises will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p>	<ul style="list-style-type: none"> <li>- Allowances for inflation are developed from three key threads:</li> </ul>	4	5	20

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	Actual levels are significantly above or below target	Services have supported the budget strategy through savings. Levels below those expected would result in an increase in balances or unused resources that could be used to achieve strategic priorities.	<ul style="list-style-type: none"> <li>○ The advice and knowledge of professional employees</li> <li>○ The data available from national projections</li> <li>○ An assessment of past experience both locally and nationally</li> </ul> <p>- MTFS core inflation projections are based on the government's 2% inflation target but an additional contingency is included in the 23/24 budget</p>			
69 H	<p><b>Adverse impact from changes in local government funding</b></p> <p>The financial implications of the new local government funding regime, now unlikely to be introduced until 2025/26, 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><b>Constraints on council tax increases</b></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>	4	4	16
J	<p><b>Capital Programme cannot be funded</b></p> <p>Reduction or total loss of funding sources means that the capital programme cannot be</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> <li>○ Internal borrowing</li> <li>○ PWLB borrowing</li> </ul>	- Council has access to borrowing.	5	4	20

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	delivered or demands on funding exceed available supply	<ul style="list-style-type: none"> <li>○ New Homes Bonus</li> <li>○ Capital Grants</li> <li>○ Developer contributions (S106)</li> </ul> <p>A reduction in this funding will mean that future schemes cannot be delivered.</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>			
K	<p><b>Increased volume and complexity of government regulation</b></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><b>Business Rates &amp; Council Tax collection</b></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><b>Business Rates pool</b></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>	3	4	12

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			- 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.			
O	<p><b>Litigation costs exceed budgeted provisions.</b></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 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.</p>	Costs in excess of budget would require a drawing on reserves and the identification of savings in subsequent years in order to replenish the level of reserves.	<ul style="list-style-type: none"> <li>- Corporate Leadership Team is updated regularly on outstanding legal cases.</li> <li>- Appropriate professional advice is taken at all times.</li> </ul>	4	2	8
71 P	<p><b>Financial impact from emergencies such as COVID-19</b></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"> <li>- Senior officer group mobilised to address short term impacts</li> <li>- Mitigations to be developed over longer term</li> </ul>	5	3	15
Q	<p><b>Financial impact from IT security failure</b></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"> <li>- Anti-virus software</li> <li>- Regular communications with staff to warn about risks</li> <li>- Back-up arrangements with neighbouring authorities</li> </ul>	4	3	12
R	<p><b>Pension liability cannot be funded</b></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"> <li>- Regular actuarial valuations</li> <li>- Mitigating actions in the form of increases to employer pension contributions</li> </ul>	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