

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 25 September 2023
Time: 6.30 p.m.
Venue: Town Hall, High Street, Maidstone

Membership:

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

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

AGENDA

Page No.

- | | |
|--|---------|
| 1. Apologies for Absence | |
| 2. Notification of Substitute Members | |
| 3. Urgent Items | |
| 4. Notification of Visiting Members | |
| 5. Disclosures by Members and Officers | |
| 6. Disclosures of Lobbying | |
| 7. To consider whether any items should be taken in private because of the possible disclosure of exempt information | |
| 8. Minutes of the meeting held on 24 July 2023 - to follow | |
| 9. Questions and Answer Session for Local Residents (if any) | |
| 10. Questions from Members of the Council to the Chairman (if any) | |
| 11. Committee Work Programme 2023/24 | 1 - 2 |
| 12. Audit, Governance and Standards Committee Annual Report | 3 - 16 |
| 13. External Audit | 17 - 22 |
| 14. Budget Strategy - Risk Assessment Update | 23 - 38 |

Issued on Friday 15 September 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 by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 21 September 2023). You will need to provide the full text in writing.

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

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on Thursday 21 September 2023). You will need to tell us which agenda item you wish to speak on.

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

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

2023/24 WORK PROGRAMME

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

2023/24 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Treasury Management, Investment and Capital Strategies 2024/25	AGS	15-Jan-24	Strategy Update	No	Mark Green	John Owen
External Auditor's Annual Report	AGS	15-Jan-24	Governance	No	Mark Green	Paul Holland
External Auditor's Progress Report and Sector Update	AGS	15-Jan-24	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	15-Jan-24	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	11-Mar-24	Officer Update	No	Claudette Valmond	Russell Fitzpatrick
Annual Risk Management Report 2023/24	AGS	11-Mar-24	Governance	Yes	Katherine Woodward	Katherine Woodward
Internal Audit Charter Update	AGS	11-Mar-24	Governance	No	Katherine Woodward	Katherine Woodward
Internal Audit and Assurance Plan 2024/25	AGS	11-Mar-24	Governance	No	Katherine Woodward	Katherine Woodward
2022/23 Statement of Accounts	AGS	11-Mar-24	Governance	No	Mark Green	Paulk Holland
Budget Strategy Risk Assessment Update	AGS	11-Mar-24	Officer Update	No	Mark Green	Mark Green

Audit, Governance and Standards Committee

25 September 2023

Audit, Governance and Standards Committee Annual Report

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

Executive Summary

Based on the activity during the year, the Audit, Governance and Standards Committee can demonstrate it has appropriately and effectively fulfilled its duties during 2022/23. The report details how the Audit, Governance & Standards Committee has effectively discharged those duties and sets out the achievements of the Committee during the year.

Purpose of Report

Decision

This report makes the following recommendations to this Committee:

1. That the Audit, Governance and Standards Committee Annual Report for 2022/23 is agreed.
2. That the report is taken to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	25 September 2023
Full Council	6 December 2023

Audit, Governance and Standards Committee Annual Report

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We present this report for decision. The Audit, Governance & Standards Committee's work supports all Council activity and the wider Corporate Priorities in evaluating governance.	Katherine Woodward – Head of Mid Kent Audit Partnership
Cross Cutting Objectives		
Risk Management		
Financial	There are no additional costs or savings associated with this proposal.	Mark Green – Director of Finance & Business Improvement
Staffing	There are no staffing implications associated with this proposal	Katherine Woodward – Head of Mid Kent Audit Partnership
Legal	There are no legal implications identified in the report. The report demonstrates that measures are in place to ensure good governance arrangements which enable the Council to meet statutory requirements.	Katherine Woodward – Head of Mid Kent Audit Partnership
Privacy and Data Protection	There are no direct privacy or data protection implications associated with this report.	Katherine Woodward – Head of Mid Kent Audit Partnership
Equalities	There are no direct equalities implications associated with this report.	Katherine Woodward – Head of Mid Kent Audit Partnership

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

2. INTRODUCTION AND BACKGROUND

- 2.1 The Audit, Governance & Standards Committee is required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council’s regulatory framework and review and approve the Council’s annual statements of accounts and scrutinise associated strategy and policy. This report sets out how this has been achieved during 2022/23.

3. AVAILABLE OPTIONS

- 3.1 It is the usual practice to produce and present an annual report to demonstrate to the Council how the Committee has discharged its duties. No alternative options are recommended.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 This report provides the Council with assurance that important governance, risk and standards issues are monitored and addressed.
- 4.2 Our recommendation is for the Committee to agree the Audit, Governance & Standards Committee Annual Report, subject to any comments and amendments, and that the Chairman of the Audit, Governance & Standards

Committee then provides the report to a meeting of full Council setting out how the Committee has discharged its duties.

5. RISK

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

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 This report has been compiled through consultation between Officers and the Chairman of the Audit, Governance & Standards Committee.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The report will be presented to Full Council to demonstrate how the Committee has discharged its duties during 2022/23.

8. REPORT APPENDICES

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

Appendix 1: Audit, Governance & Standards Committee Annual Report

9. BACKGROUND PAPERS

None.

Audit, Governance & Standards Committee

Annual Report

September 2023



Introduction by Chairman of Audit, Governance and Standards Committee

I became Chair of the Audit, Governance and Standards Committee in 2023, following my previous role as the Vice-Chair of the committee in 2022/23 and it is my pleasure to introduce the annual report. The report provides an overview of the Committee's activity during the Municipal Year 2022/23.

The Council continues to face challenges from the impact of the cost-of-living crisis and rising inflation brought on by the war in Ukraine. As a committee, we have maintained our focus on the issues facing the Council from a risk, control, and governance perspective. This report looks back and gives us opportunity to reflect on the activity and achievements of the Committee during the Municipal Year 2022/23.

The Committee has discharged its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment. We have also provided robust scrutiny and challenge of the Authority's financial performance.

During 2022/23 the Committee met five times and I was pleased to note, among the highlights, consideration of the Council's risk management processes and a positive opinion on the Council's control and governance from our internal auditors.

I would like to take this opportunity to thank Members and Officers that have supported the Committee over the last year. Their professionalism, integrity, and openness have helped us to discuss, challenge and debate key issues and agree solutions and improvements where appropriate to do so.



Councillor Martin Cox – Audit, Governance and Standards Committee Chairman

Purpose of the Committee

The Audit, Governance and Standards Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities](#). This guidance (updated in 2022) sets out the purpose of an Audit Committee and is published by the Chartered Institute of Public Finance (CIPFA). The guidance states:

Audit Committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

At Maidstone, the role of the Committee extends further than this. In 2015 the Committee was expanded to incorporate some functions previously undertaken by the Standards Committee. Specifically, this expanded role means that the Committee also consider Member conduct and complaints. The Committee's stated purpose is:

The promotion and maintenance of high standards of Councillor and Officer conduct within the Council, adoption and reviewing the Council's Annual Governance Statement; independent assurance of the adequacy of the financial and risk management framework and the associated control environment, independent review of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The Committee is independent from management and other Committees, this is important as it ensures that duties can be discharged in line with the agreed Terms of Reference (attached as an appendix to this report). This includes rights of access and reporting lines direct to statutory officers, the Head of Audit Partnership and appointed external auditors where appropriate.

The Committee is not a substitute for the management function of internal audit, risk management, governance, or any other sources of assurance. The role of the Committee is to examine these functions and to offer views and recommendations on the way in which these functions are managed and conducted.

The purpose of this report is to outline where the Committee has gained assurance during the year, particularly over areas of governance, risk management, Standards, and internal control.

Membership & Meetings

During 2022/23 the Audit, Governance and Standards Committee was comprised of nine Members (plus two non-voting Parish Councillors appointed by the Council for a three-year term of office) and met five times.

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. In addition, the Council's External Auditors (Grant Thornton) regularly attend meetings of the Committee.

The following table outlines Member and Officer attendance at 2022/23 Audit, Governance and Standards Committee meetings.

Member	Role	Audit, Governance and Standards Committee Meeting Date				
		26-July-22	27-Sep-22	14-Nov-22	16-Jan-23	13-Mar-23
Cllr Alan Bartlett	Member	Present	Present	Present	Present	Apologies
Cllr Martin Cox	Member	Apologies	Present	Present	Present	Present
Cllr Dinesh Khadka	Member	Apologies	Present	Absent	Present	Apologies
Cllr Heidi Bryant	Member	Apologies	Apologies	Apologies	Absent	n/a
Cllr Stanley Forecast	Member	Apologies	Present	Present	Apologies	Present
Cllr John Perry	Member	Present	n/a	n/a	n/a	In attendance
Cllr Stuart Jeffery	Member	Present	Present	Present	Present	Present
Cllr Ziggy Trzebinski	Member	Present	Present	Present	Present	Present
Cllr Sandra Knatchbull	Member	Present	Present	Present	Present	Present
Cllr Dan Wilkinson	Member	Present	Present	Apologies	Present	Apologies
Peter Coulling	Parish Representative	Present	Apologies	Present	Present	Present
Peter Titchener	Parish Representative	Apologies	Present	Present	Present	Absent
Cllr Anne Brindle	Substitute Member	Present				
Cllr Clive English	Substitute Member	Present				
Cllr Fay Gooch	Substitute Member	Present				
Cllr Bob Hinder	Substitute Member	Present				
Cllr Patrik Garten	Substitute Member		Present			Present* (Member)
Cllr Maureen Cleator	Substitute Member			Present		Present

Officer	Audit, Governance and Standards Committee Meeting Date				
	26-July-22	27-Sep-22	14-Nov-22	16-Jan-23	13-Mar-23
Head of Policy, Communications and Governance	Present	n/a	n/a	n/a	n/a
Director of Strategy, Insight and Governance	n/a	n/a	n/a	Present	n/a
Team Leader – Contentious and Corporate Governance	Present	n/a	n/a	Present	Present
Senior Legal Advisor – Corporate Governance	n/a	Present	n/a	n/a	n/a
Head of Audit Partnership	n/a	n/a	n/a	Present	Present
Interim Head of Internal Audit	Present	Present	Present	n/a	n/a
Interim Deputy Head of Audit Partnership	n/a	n/a	n/a	n/a	Present
Director of Finance, Resources and Business Improvement	Present	Present	Present	Present	Present
Head of Finance	n/a	n/a	n/a	Present	n/a
Senior Finance Manager	Present	Present	n/a	n/a	n/a
Finance Manager	Present	n/a	n/a	Present	n/a
External Auditor – Grant Thornton	Present	Present	Present	Present	Present
Interim Head of Mid Kent Revenues and Benefits Partnership	Present				
Corporate Insight, Communities and Governance Manager	n/a	n/a	Present	n/a	n/a
Senior Information Governance Officer	n/a	n/a	Present	n/a	n/a

All Committee agendas, papers and minutes are available on the [Council's website](#).

Activity

Over the course of the year the Committee considered, examined and made decisions on the following areas within its Terms of Reference:

July 2022	September 2022	November 2022	January 2023	March 2023
Update on the Committee on Standards in Public Life recommendations	Complaints Received Under the Members Code of Conduct	Information Governance Report 2021/22	External Auditor's Progress Report and Sector Update	Complaints Received Under the Members Code of Conduct
Annual Governance Statement and Local Code of Corporate Governance 21/22	External Auditor's Audit Progress Report	Interim Internal Audit and Assurance Report 21/22	Treasury Management, Investment and Capital Strategies 23/24	External Auditor's Progress Report and Sector Update
Annual Internal Audit Report and Opinion 21/22	Budget Strategy – Risk Assessment Update	External Audit Progress report	External Audit Annual Report 2020/21	Risk Management Annual Report 22/23
Model Code of Conduct	Audit, Governance & Standards Committee Annual Report 21/22	Budget Strategy – Risk Assessment Update	Budget Strategy – Risk Assessment Update	Internal Audit and Assurance Plan 23/24
Housing Benefit Subsidy Claim 2020/21	External Audit Plan 2021/22		Update on Kent Model Code of Conduct	Budget Strategy – Risk Assessment Update
Fraud and Compliance Team Update 2020/21 and 2021/22			Annual Governance Statement – Mid Year update	
External Audit 2020/21			Treasury Management Mid-Year review	
Draft Annual Accounts 2021/22				
Treasury Management Annual Review 21/22				
Budget Strategy – Risk Assessment Update				

Key	Internal Audit Activity	External Audit Activity	Finance Activity	Standards Activity	Governance Activity
-----	-------------------------	-------------------------	------------------	--------------------	---------------------

Sources of Assurance

The Audit, Governance and Standards Committee have drawn on a variety of sources of assurance to fulfil their responsibilities. During 2022/23 assurance from the following sources was considered:

Finance Activity
The Committee reviewed and provided challenge on the annual accounts.
The Committee considered and reviewed the Treasury Management and Budget strategies.
Internal Audit Activity
The Council received an unqualified Annual Opinion from the Head of Internal Audit. This opinion considers the overall adequacy and effectiveness of the authority's framework of governance, risk management and control arrangements.
Both the updated 2022/23 and the 2023/24 audit plans included detail of audit assurance work for the year. The Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.
Governance Activity
The Committee reviewed the Annual Governance Statement which supported the overall conclusion of the Head of Internal Audit Opinion. The Committee specifically gained assurance from this document as it explains the processes and procedures in place to enable the Council to carry out its functions effectively.
The Committee provided independent review of the Data Protection action plan in conjunction with proposed changes in Data Protection legislation.
The annual risk management report provided an overview of the effectiveness of the Council's risk management framework and the controls in place to manage corporate and operational risks.
External Audit Activity
The Committee provided effective challenge to the External Auditors and gained assurance from the reports and updates provided by Grant Thornton during the year.
Standards Activity
The Committee reviewed complaints received under the Members' Code of Conduct and provided challenge around a revised Code.

Dealing with complaints about Council Members

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.

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 Code.

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.

The Constitution stipulates that oversight of Code of Conduct complaints is part of the remit of the Audit, Governance and Standards Committee.

During the year ending 31 March 2023, 5 new Member complaints were received. All of the complaints related to a Parish / Town Councillor. Two of these complaints were investigated and no breach of the Code was established, and the remaining three were being considered by the Monitoring Officer.

Conclusion

The Audit, Governance and Standards Committee has worked in partnership with the Council's Internal and External Auditors and received support from Officers. This has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2022/23 as set out in the respective minutes.

Appendix I – Terms of Reference & Responsibilities

Audit Activity

- a) To consider the Head of Internal Audit Partnership's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- b) To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the Strategic Internal Audit Plan and any report on agreed recommendations not implemented within a reasonable timescale; and the Internal Audit Charter.
- c) To consider the External Auditor's Annual Audit Letter, relevant reports, and any other report or recommendation to those charged with governance; and ensure that the Council has satisfactorily addressed all issues raised. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- d) To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.
- e) Consider and review the effectiveness of the Treasury Management Strategy, Investment Strategy, Medium Term Financial Strategy, Annual Report and Mid-Year review and make recommendations to the Policy and Resources Committee and Council.
- f) Recommend and monitor the effectiveness of the Council's Counter-Fraud and Corruption Strategy.

Governance

- a) To maintain a financial overview of the operation of Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- b) In conjunction with Policy and Resources Committee 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.
- c) To monitor Council policies on 'Raising Concerns at Work' (Whistleblowing') and the 'Anti-fraud and corruption' strategy.
- d) To oversee the production of the authority's Annual Governance Statement and to agree its adoption.
- e) The Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice and high standards of ethics and probity. This Committee will receive the annual review of the Local Code of Corporate Governance and may make recommendations to Policy and Resources Committee for proposed amendments, as necessary.
- f) To consider whether safeguards are in place to secure the Council's compliance with its own and other published standards and controls.

Standards

- a) The promotion and maintenance of high standards of conduct within the Council.
- b) To advise the Council on the adoption or revision of its Codes of Conduct.
- c) To monitor and advise the Council about the operation of its Codes of Conduct in the light of best practice, and changes in the law, including in relation to gifts and hospitality and the declaration of interests.
- d) Assistance to Councillors, Parish Councillors and co-opted members of the authority to observe the Code of Conduct.
- e) To ensure that all Councillors have access to training in Governance, Audit and the Councillor Code of Conduct; that this training is actively promoted; and that Councillors are aware of the standards expected under the Councils Codes and Protocols.
- f) To deal with complaints that Councillors of the Borough Council and Parish Councils may have broken the Councillor Code of Conduct.
- g) Following a formal investigation and where the Monitoring Officer's investigation concludes that there has been a breach of the Code of Conduct a hearing into the matter will be undertaken. See the procedure at 4.2 of the Constitution for dealing with complaints that a Councillor has breached the Code of Conduct.
- h) Advice on the effectiveness of the above procedures and any proposed changes.
- i) Grant of dispensations to Councillors with disclosable pecuniary interests and other significant interests, in accordance with the provisions of the Localism Act 2011.

Audit, Governance and Standards Committee

**25 September
2023**

External Audit

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

Executive Summary

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

Purpose of Report

Noting.

This report makes the following recommendations to this Committee:

1. That the report be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	25 September 2023

External Audit

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

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

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

2. INTRODUCTION AND BACKGROUND

- 2.1 Audits for the 2021/22 and 2022/23 accounts are still to be completed. Whilst this is in no way an acceptable position for the Council, it is worth pointing out that it is part of a broader crisis in local government audit. As of July 2023, local audit completions for the financial year 2021/22 were reported as being approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 totalling nearly 520¹.
- 2.2 As a result of this crisis in local audit, the government and the National Audit Office are proposing to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial

¹ Local audit delays - Cross-system statement on proposals to clear the backlog and embed timely audits, Department of Levelling Up Housing and Communities, 18.07.2023

years 2015/16 to the present. It is recognised that this will involve a trade-off between bringing accounts up to date and validation of those accounts, with auditors likely to disclaim an opinion on many statements of account.

- 2.3 Current indications are that the statutory deadline for completion of 2021/22 accounts is likely to be 31 March 2024. As set out below, the council and our auditors are confident that Maidstone's 2021/22 accounts will be signed off well in advance of this date.
- 2.4 Details of the position on the current outstanding audits for Maidstone Borough Council are set out below.

2021/22 Statement of Accounts

- 2.5 The Council was originally required by statute to have its audited Statement of Accounts for the 2021/22 financial year approved by the Audit, Governance and Standards Committee by 30 November 2022. Draft accounts were presented to the Committee in July 2022 and the audit was originally due to start in August 2022, which would have made the November deadline achievable. However, in practice the audit did not start until January 2023.
- 2.6 In a report to the March meeting of this Committee, Grant Thornton stated: '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, the 2021/22 audit had not been completed by July and it is still not complete.
- 2.7 The principal matters holding up completion of the audit are as follows.

Requirement to update valuation of pension assets and liabilities

- 2.8 We were informed of this additional requirement on 12 June 2023. Grant Thornton's rationale was as follows. When the Council's draft 2021/22 accounts were prepared, the most recent triennial valuation of the pension scheme available was that carried out as at 31 March 2019. The draft accounts therefore incorporated values for the pension assets and liabilities based on a report (known as the IAS19 report) from the scheme actuary in which the 2019 values were rolled forward to 2022. This is the conventional way in which pension assets and liabilities are recorded if there is no recent comprehensive triennial valuation available.
- 2.9 Subsequently, we have received the results of the 31 March 2022 LGPS triennial valuation. In Maidstone's case, the assumptions used by the actuary in their original IAS19 report were actually close to the actual position as set out in the triennial valuation. This was because the Council had experienced no major changes, such as a workforce restructure, in the profile of its employees and former employees. An update to the IAS19 report and corresponding adjustments to the accounts would therefore have been superfluous, in the view of the S 151 Officer. In addition, it would have involved further delay to finalisation of the accounts and additional expense.
- 2.10 However, Grant Thornton considered that local authorities with open 2021/22 audits should go back and seek an updated IAS 19 report from their actuary,

to allow for an informed assessment of whether adjustments to draft accounts are necessary. This was a blanket policy adopted by Grant Thornton for all audit clients in the same position as Maidstone, and did not allow individual Grant Thornton audit partners any discretion to form a view as to whether such an update is in fact necessary.

- 2.11 As set out in a report to this Committee in July, obtaining an updated IAS19 report would lead to additional costs for the authority and further delay to completion of the audit. The requirement would not have arisen at all if Grant Thornton had completed their audit work for 2021/22 in a timely way. Grant Thornton's position on this matter is contrary to advice given by the National Audit Office in its Supplementary Guidance Note SGN03.
- 2.12 At its meeting on 24 July, the Committee asked Grant Thornton to reconsider their position. However, the firm has indicated it is not prepared to do so. Accordingly, the S 151 Officer has concluded with reluctance that, in the interests of obtaining a clean audit opinion, the authority must accede to our auditor's request.

Further information requested by Grant Thornton from the Council's external valuer

- 2.13 The valuation of Property, Plant and Equipment and investment property assets is carried out by an external valuer, commissioned by the Council. Grant Thornton requested detailed information from the valuer in February 2023, including a large number of specific questions requiring individual responses.
- 2.14 After the valuer provided responses, a further set of queries followed on from the initial questions raised by Grant Thornton. The valuer has made every effort to address these.
- 2.15 This area is now given a very high priority generally by auditors and the level of audit scrutiny in 2021/22 has been much greater than in previous years. If the level of information required had been signalled to the council or to the valuer at the start of the audit process, a more structured approach to meeting the auditor's requirements could have been adopted. In practice, we are in the position of having to react to successive rounds of detailed questions.

Current position

- 2.16 Grant Thornton now indicate that they hope to be able to sign off the accounts in time for them to be presented to the November meeting of this Committee.

2022/23 Statement of Accounts

- 2.17 The Council was required by statute to have its audited Statement of Accounts for the 2022/23 financial year approved by the Audit, Governance and Standards Committee by 30 September 2023. This was a tighter deadline than for 2021/22, as the latest iteration of the Accounts and Audit Regulations envisaged accounts preparation getting more up to date following the Covid 19 pandemic. Although the government has subsequently announced its

intention of introducing hard deadlines for completion of audits, the technical position remains that audited accounts for 2022/23 are due by the end of September. Unfortunately, the ongoing delay in audit of the preceding year's accounts means that Grant Thornton have not yet commenced work on the 2022/23 audit, so the 30 September deadline will be missed.

2.18 The Committee has already seen draft unaudited accounts for 2022/23, as they were presented to the Committee in July 2023. The audit is now likely to start in January 2024 and Grant Thornton currently estimate that it will be complete in time for the accounts to be brought to the Committee at its March 2024 meeting.

3. AVAILABLE OPTIONS

3.1 Committee members are asked to note this report.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The report is for noting only.

5. RISK

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

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details were published on the Council's website for the 2021/22 accounts and will be published for the 2022/23 accounts when the audit commences.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 To be discussed at the meeting.

8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

25 September 2023

Budget Strategy – Risk Assessment Update

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

Executive Summary

There is a risk that the Council may overspend in the current financial year owing to the increase in numbers being housed in temporary accommodation. Although savings elsewhere mitigate the overspend, this may not be sufficient to offset the additional costs and allow us to balance the budget for the year.

Budget planning for next year (2024/25) is well under way. A budget gap of £925,000 is projected, assuming that Council Tax is increased by 3% and fees and charges increase by 5% overall. Savings have been put forward for member consideration that, all things being equal, would cover the budget gap.

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

Meeting	Date
Audit, Governance and Standards Committee	25 September 2023

Budget Strategy – Risk Assessment Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

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

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

2. INTRODUCTION AND BACKGROUND

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

Current position

- 2.2 The Council produced a balanced budget for both revenue and capital income and expenditure for 2023/24. The half-way point in the year is approaching and it is possible to make some early projections as to the likely out-turn. In the quarter 1 figures, recently presented to Policy Advisory Committees, it was reported that, based on current numbers in temporary accommodation, we can expect an overspend in excess of £800,000 under this heading. Although the Council is acquiring additional properties through the capital programme, a large number of families will continue to be housed in expensive nightly paid accommodation.
- 2.3 This overspend can be mitigated substantially through underspends elsewhere around the Council, reducing the projected overspend to just under £300,000. However, spend on temporary accommodation is volatile and there is a significant risk that the budget cannot be brought into balance or even that the overspend could be higher.
- 2.4 The Council's underlying balance sheet position nevertheless remains strong. Unallocated General Fund reserves at 31 March 2023 amounted to £13 million.

Future position – 2024/25 and subsequent years

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

charges which would deliver an overall 5% increase still need to be agreed. Savings on a much greater scale will be required in subsequent years.

Capital Programme

- 2.8 The Council has an ambitious capital programme, which includes plans to deliver 1,000 new affordable homes over the next ten years. Funding this will require an increase in long term debt from £5 million today to over £150 million in 2027/28, with the revenue cost of capital increasing accordingly.
- 2.9 There are a number of risks associated with the capital programme which potentially will impact the revenue account, to the extent that capital expenditure is abortive or leads to the write-down of capital investments:
- Construction prices increasing
 - Contractor failure / liquidation
 - Availability / cost of finance (currently the Council has arranged £80 million of funding, but the availability and cost of finance when this is exhausted is not known).
- 2.10 Finally, there is a specific requirement in relation to the Affordable Housing programme to provide the necessary subsidy for tenants. The requirement for a subsidy arises because affordable housing (ie housing to be let at a rent of no more than 80% of the Local Housing Allowance) does not achieve the rate of return that is required on Council investments in order to satisfy the prudential borrowing rules. There is a risk that, if the necessary subsidy is not available, the Council will not be able to achieve the targeted number of affordable homes.
- 2.11 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	Increase in numbers in temporary accommodation.	Impact – major (no change) Likelihood – probable (increased)

- 2.12 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.

2.13 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.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

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

5. RISK

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

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Each year the council as part of the development of the MTFs and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey is under way for the 2024/25 budget and the results will be reported to Members as part of the budget setting process.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

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

8. REPORT APPENDICES

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

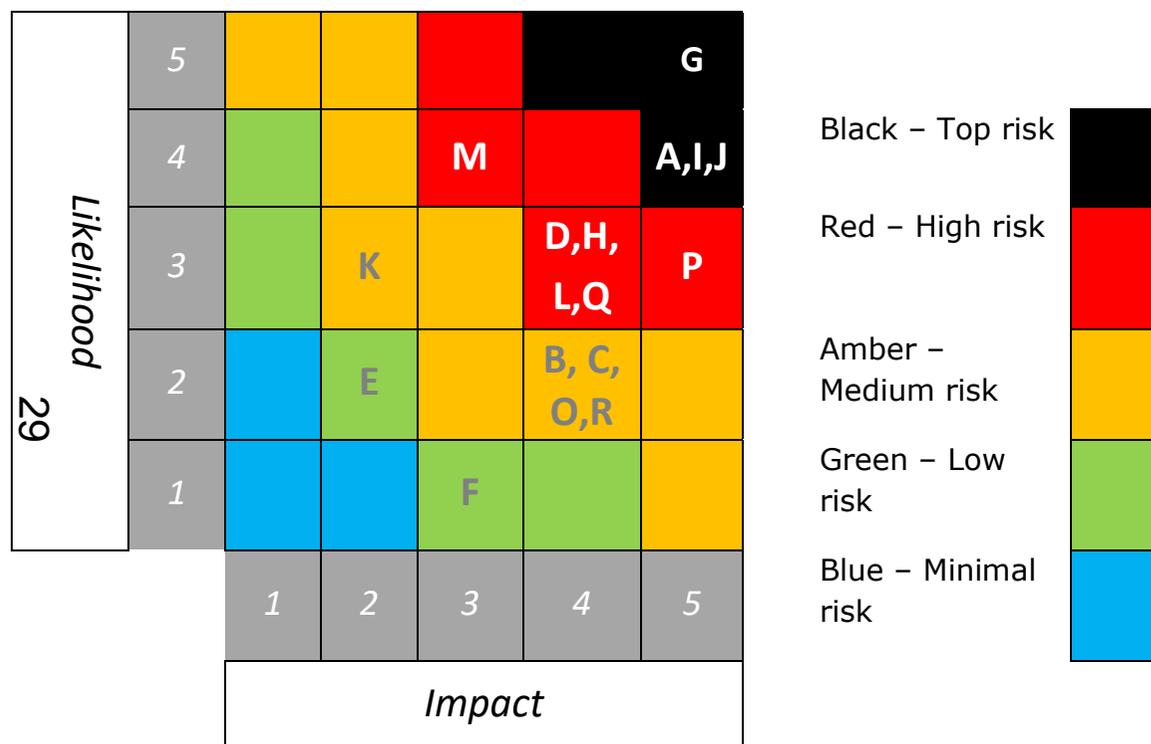
- Appendix A: Budget Strategy Risks
-

9. BACKGROUND PAPERS

None.

Budget Strategy Risks

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



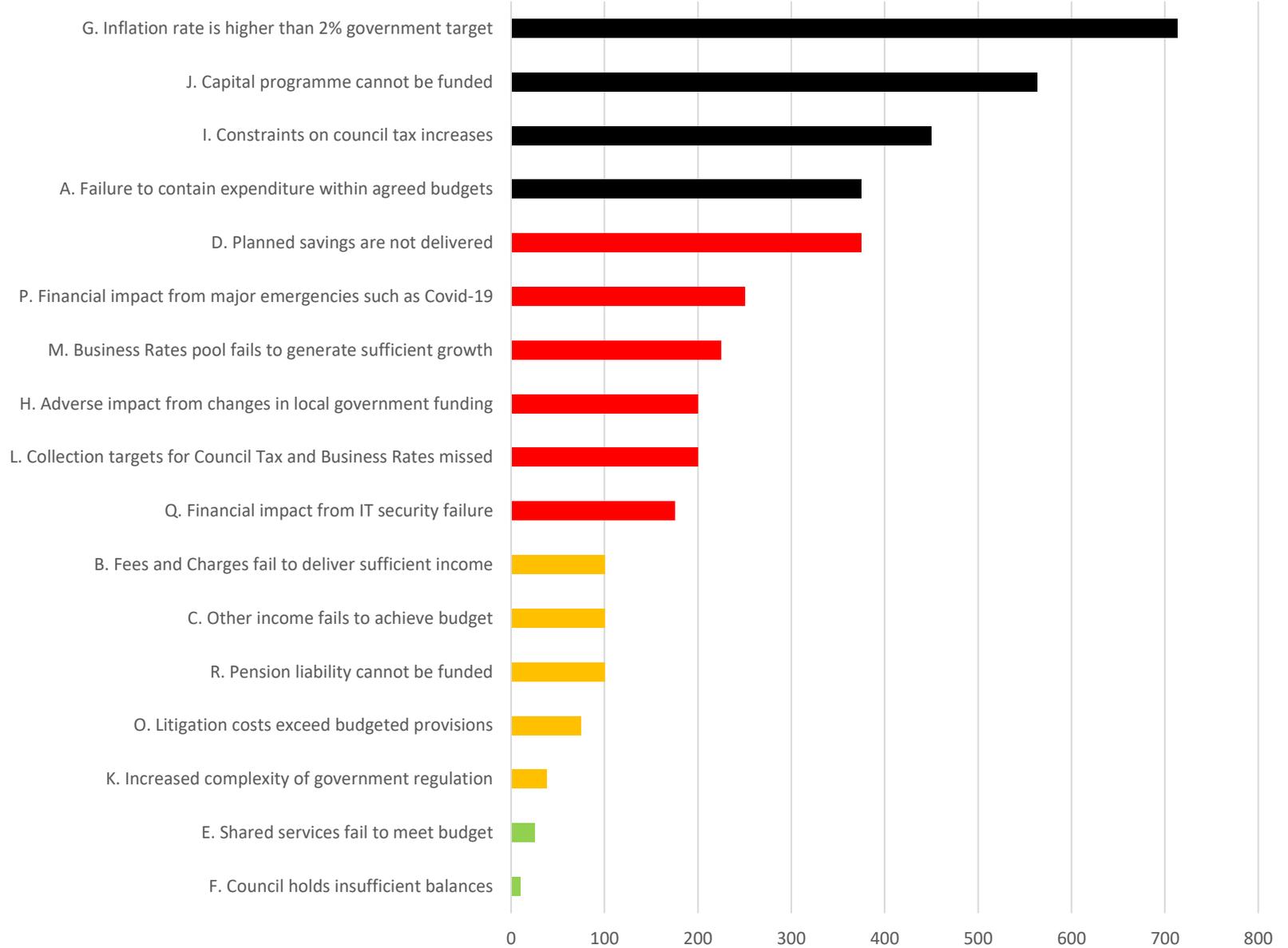
A. Failure to contain expenditure within agreed budgets	J. Capital programme cannot be funded
B. Fees and Charges fail to deliver sufficient income	K. Increased complexity of government regulation
C. Other income fails to achieve budget	L. Collection targets for Council Tax and Business Rates missed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

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

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

Chart - Budget risks

31



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

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		Income generation from investment activities supports the revenue budget and is required in ordered to pay back capital investment.				
D	<p>Planned savings are not delivered</p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>- 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.</p> <p>- Savings proposals are separately identified and monitored in the Council's general ledger.</p> <p>- The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees.</p>	4	3	12
E	<p>Shared Services</p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4
F	<p>Insufficient Balances</p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<p>- The Council has set a lower limit below which General Fund balances cannot fall of £4 million.</p> <p>- At the beginning of the 2023/24 financial year unallocated General Fund reserves are projected to be £11 million.</p>	3	1	3

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
G	<p>Inflation rate is higher than 2% government target Actual levels are significantly above target</p>	<p>Continued high inflation will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p> <p>Services have supported the budget strategy through savings. Levels below those expected would result in an increase in balances or unused resources that could be used to achieve strategic priorities.</p>	<p>- Allowances for inflation are developed from three key threads:</p> <ul style="list-style-type: none"> ○ The advice and knowledge of professional employees ○ The data available from national projections ○ An assessment of past experience both locally and nationally <p>- MTF5 core inflation projections will be increased to 5% for 2024/25.</p>	5	5	25
34 H	<p>Adverse impact from changes in local government funding The financial implications of the new local government funding regime, now unlikely to be introduced until 2026/27, remain unclear.</p>	<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>	<p>- The Medium Term Financial Strategy to 2027/28 includes an adverse scenario which allows for a significant impact on the Council's resources,</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	4	3	12
I	<p>Constraints on council tax increases 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>	<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>	<p>- The budget for 2023/24 incorporates a Council Tax increase of 3%.</p> <p>- Budget planning is based around the assumption that Council Tax increases will be maximised within the constraints of the referendum limit in subsequent years.</p>	5	4	20
J	<p>Capital Programme cannot be funded</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> ○ Internal borrowing 	<p>- Council has access to borrowing.</p>	5	4	20

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	Reduction or total loss of funding sources means that the capital programme cannot be delivered or demands on funding exceed available supply	<ul style="list-style-type: none"> ○ PWLB borrowing ○ New Homes Bonus ○ Capital Grants ○ Developer contributions (S106) <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 35	<p>Increased volume and complexity of government regulation</p> <p>Covid-19 and the range of government support for local authorities and the community have led to a rapid increase in the volume and complexity of reporting and regulation.</p>	<p>Scaling up administrative resources to address the increased volume and complexity of reporting and regulation may divert attention from other priorities.</p> <p>Ultimately, failure to comply with new regulatory requirements could pose financial and reputational risk for the Council.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	3	6
L	<p>Business Rates & Council Tax collection</p> <p>Council fails to maintain collection targets for business rates and council tax</p>	<p>Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p> <p>Business rates amount to around £50 million in 2023/24 and Council Tax due amounts to around £120 million.</p>	<p>- The Council has a good track record of business rates and Council Tax collection.</p> <p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p>	4	3	12
M	<p>Business Rates pool</p> <p>Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income</p>	<p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- The pool is monitored quarterly Kent wide and Maidstone is the administering authority. The projected benefit of the pool across Kent as a whole is projected to be around £14m in 2023/24.</p>	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	Litigation costs exceed budgeted provisions. 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.	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"> - Corporate Leadership Team is updated regularly on outstanding legal cases. - Appropriate professional advice is taken at all times. 	4	2	8
36 P	Financial impact from emergencies such as COVID-19 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.	In the short term the Council would need to draw on reserves to cover the financial costs, but in the longer term savings would be required to replenish reserves.	<ul style="list-style-type: none"> - Senior officer group mobilised to address short term impacts - Mitigations to be developed over longer term 	5	3	15
Q	Financial impact from IT security failure Local authorities have been subject to cyber attacks over the past few years, often with severe financial and service implications.	The Council might have to suspend normal financial transactions for a period of time.	<ul style="list-style-type: none"> - Anti-virus software - Regular communications with staff to warn about risks - Back-up arrangements with neighbouring authorities 	4	3	12
R	Pension liability cannot be funded 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.	Additional revenue costs will arise from an increased pension liability	<ul style="list-style-type: none"> - Regular actuarial valuations - Mitigating actions in the form of increases to employer pension contributions 	4	2	8

Impact & Likelihood Scales

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law	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	punishable by imprisonment or significant 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	Litigation expected, but defensible Breaches of law punishable by fines	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	Complaint likely, litigation possible Breaches of regs or standards	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