East Sussex County Council

AUDIT COMMITTEE

FRIDAY, 19 NOVEMBER 2021

10.00 am COMMITTEE ROOM, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Colin Swansborough (Chair)
Councillors Matthew Beaver, Gerard Fox (Vice Chair), Nuala Geary, Stephen Holt, Matthew Milligan and Georgia Taylor

A G E N D A

1. Minutes of the previous meeting held on 17 September 2021 *(Pages 3 - 6)*

2. Apologies for absence

3. Disclosures of interests

   Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.

4. Urgent items

   Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.

5. Treasury Management Stewardship Report 2020/21 *(Pages 7 - 28)*
   Report by the Chief Finance Officer

6. Internal Audit Progress Report - Quarter 2 2021/22 (01.07.21 - 30.09.21) *(Pages 29 - 46)*
   Report by the Chief Operating Officer

7. Property Asset Disposal and Property update *(Pages 47 - 82)*
   Report by the Chief Operating Officer

8. Work programme *(Pages 83 - 86)*

9. Any other non-exempt items previously notified under agenda item 4

10. Exclusion of public and press

11. Property Asset Disposal and Property update - exempt information *(Pages 87 - 90)*
    Report by the Chief Operating Officer

12. Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive

County Hall, St Anne's Crescent
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11 November 2021

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AUDIT COMMITTEE

MINUTES of a meeting of the Audit Committee held at County Hall, Lewes on 17 September 2021.

PRESENT	Councillors Colin Swansborough (Chair) Councillors Matthew Beaver, Gerard Fox (Vice Chair), Nuala Geary, Matthew Milligan and Georgia Taylor
LEAD MEMBERS	Councillor Nick Bennett
ALSO PRESENT	Ian Gutsell, Chief Finance Officer Russell Banks, Chief Internal Auditor Nigel Brown, Assistant Director – Property Simon White, Audit Manager – Counter Fraud Mark Winton, Audit Manager – IT Darren Wells, Grant Thornton Andy Conlan, Grant Thornton

8. MINUTES OF THE PREVIOUS MEETING HELD ON 6 JULY 2021

8.1 The Committee RESOLVED to agree the minutes of the previous meeting as a correct record.

9. DISCLOSURES OF INTERESTS

9.1 Councillor Matthew Beaver declared a personal interest, in that a family member is a Senior Finance Officer at the County Council, but he did not consider this to be prejudicial.

10. REPORTS

10.1 Reports referred to in the minutes below are contained in the minute book.

11. REVIEW OF THE GRANT THORNTON (GT) REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS FOR 2020/21

11.1 The Committee considered a report by the Chief Finance Officer, and received a presentation from the external auditors, Grant Thornton of their draft Audit Findings Report, before it is considered by the Governance Committee.

11.2 The Committee discussed:

- The Value for Money judgement has been uncoupled from the current audit opinion, and will be produced in line with the revised nationally set deadline of December. It will be reported to the Audit Committee.
- Minimum Revenue Provision – GT set out that their work with other authorities had identified MRP as being a topic worth focussing on. The Chief Finance Officer provided

an explanation of MRP and recirculated the MRP presented to the Committee on 20 September 2018 for guidance.

- The impact of climate change on the valuations under consideration, and on the value for money judgement. GT set out that Bruton Knowles were responsible for producing the figures, and that the authority's approach to the climate change challenge would be assessed as one aspect of a wider judgement on value for money.
- The position of GT, as auditors of both the County Council and the East Sussex Pension Fund, providing assurance to itself.
- Teachers' pension return – the increased fee was agreed by the authority.

11.3 The Committee RESOLVED to (1) note the report and its appendices; and

(2) confirm that there were no concerns arising from the Independent Auditor's report or the management response to it that need to be brought to the attention of the Governance Committee.

[Post-meeting Note: The Report, when considered by the Governance Committee on 30 September 2021, was subject to an amendment to the Annual Government Statement that was not available at the time of the Audit Committee.]

12. REVIEW OF THE GRANT THORNTON (GT) REPORT TO THOSE CHARGED WITH GOVERNANCE AND PENSION FUND ANNUAL REPORT FOR 2020/21

12.1 The Committee considered a report by the Chief Finance Officer, and received a presentation by the external auditors, Grant Thornton, of their draft Audit Findings Report, before it is considered by the Pension Board and Pension Committee.

12.2 The Committee discussed the update to the level of materiality, and the internal triangulation of valuations between the Fund, the fund managers and the Fund's Custodian, in response to the Grant Thornton recommendation at Appendix A of their report.

12.3 The Committee RESOLVED to (1) note the report and its appendices; and

(2) confirm that there were no concerns arising from the Independent Auditor's report or the management response to it that need to be brought to the attention of the Pension Board or Pension Committee.

13. INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 2021/22 (01.04.21 - 30.06.21)

13.1 The Committee considered a report by the Chief Internal Auditor which set out the work done and performance of the Internal Audit team. There was only one audit with a partial assurance (building security) and all the performance indicators are currently green.

13.2 The Committee discussed the implications of the breach of building security, including data loss. The Committee was reassured that the loss was of new ICT equipment, that the theft has been committed by an employee of a contractor who had been subject to their disciplinary processes, and that there had been no loss of data. The loss has led to a review of areas accessible to contractors, and the regular reconciliation of staff lists and access cards. The matter had also been reported to Sussex Police.

13.3 In respect of the audit of remote working (point 1.32 of Annex A), the Audit Manager - IT explained that the Information Governance Group had now implemented a process for escalation of decision making.

13.4 The Committee RESOLVED to (1) note the report; and

(2) confirm there are no new or emerging risks for consideration for inclusion in the audit plan.

14. PROPERTY SERVICE UPDATE - CAPITAL PROJECT DELIVERY

14.1 The Committee considered a report by the Chief Operating Officer, which presented the management response to a recent Internal Audit into the management of capital projects which had received minimal assurance.

14.2 The Committee discussed:

- Controls over consultants agreeing changes to costs. The Assistant Director Property set out the project gateways and detailed costs assessments made at the start of the projects, together with greater day to day control and presence on site, as means to avoid unexpected overspending.
- Internal Audit will conduct a formal follow up and report back to the Audit Committee, in line with their usual practice.

14.3 The Committee RESOLVED to note the key findings of the audit report into capital projects and the agreed management actions taken to date in response to its findings.

15. EAST SUSSEX COUNTY COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY AND FRAMEWORK

15.1 The Committee considered a report by the Chief Internal Auditor, which presented the updated Anti Fraud and Corruption Strategy and Framework.

15.2 The Committee discussed the activities undertaken to support the Strategy such as annual campaigns and publicity, and the work done with HR to support whistleblowers. The Committee was assured that all teams involved in an investigation will use all the resources available to them, including referral to the Police when appropriate.

15.3 Financial recovery is pursued whenever it can be, using a number of methods. These include salary deductions, or raising an invoice and civil debt proceedings in the cases of non-payment.

15.4 The Committee RESOLVED to endorse the County Council's updated Anti Fraud and Corruption Strategy and Framework.

16. ESTABLISHMENT OF SUB GROUP TO HAVE OVERSIGHT OF THE MODERNISING BACK OFFICE SYSTEMS (MBOS) - UPDATE

16.1 The Committee considered a report by the Chief Operating Officer, which presented draft Terms of Reference for an Audit Committee sub-group to have oversight of the Modernising Back Office Systems (MBOS) programme.

16.2 The Committee RESOLVED to (1) agree the Terms of Reference; and

(2) appoint Councillor Swansborough, Councillor Fox and Councillor Beaver to act as the Sub-Group.

17. CIPFA FINANCIAL MANAGEMENT CODE

17.1 The Committee considered a report by the Chief Finance Officer, which presented the revised CIPFA Financial Management Code.

17.2 The Chief Finance Officer set out the Code's focus on sustainability and decision making, and that the County Council had undertaken an internal assessment against the criteria. The County Council is also working with other local authorities, to identify best practice in how to demonstrate compliance with the Code's requirements. The Committee suggested providing a summary of the scoring criteria, to aid easy understanding of future assessments.

17.3 The Committee RESOLVED to note the updated Guidance.

18. STRATEGIC RISK MONITORING - QUARTER 1 2021/22 (01.04.21 - 30.06.21)

18.1 The Committee considered a report by the Chief Operating Officer, which presented the Strategic Risk Register for Quarter 1 2021/22.

18.2 The Committee discussed potential amendments to the Climate risk, to include adaptation and quantification of the financial impact of severe weather. The Committee also requested inclusion of a brief explanation when overall risk ratings are amended or removed from the register.

18.3 The Committee RESOLVED to note the strategic risks, and the mitigations put in place by chief officers.

19. WORK PROGRAMME

19.1 The Committee considered the Work Programme for the upcoming year.

19.2 The Committee RESOLVED to delegate authority to the Chair and Vice Chair to comment on behalf of the Audit Committee on the upcoming proposals to determine the appointment of the external auditors. The Council currently uses the Public Sector Audit Appointments (PSAA), and a decision as to whether to continue this arrangement needs to be taken by Full Council before the end of January.

19.3 The Committee RESOLVED to note the Programme.

The meeting ended at 11.55 am.

Councillor Colin Swansborough (Chair)

Report to:	**Audit Committee**
Date:	**19 November 2021**
By:	**Chief Finance Officer**
Title of report:	**Treasury Management – Stewardship Report 2020/21**
Purpose of report:	**To present a review of the Council's performance on treasury management for the year 2020/21 and Mid Year review for 2021/22.**

RECOMMENDATION: The Audit Committee is recommended to note the Treasury Management performance in 2020/21 incorporating the Mid Year review for the first half of 2021/22.

1. Background

1.1 The annual stewardship report presents the Council's treasury management performance for 2020/21 and Mid Year performance for 2021/22 as required by the Code of Practice for Treasury Management.

2. Supporting Information

2.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates the treasury management function in compliance with this Code. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis and treasury management practices demonstrate a low risk approach. The Code requires the regular reporting of treasury management activities to:

- Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and
- Review actual activity for the preceding year (this Stewardship Report).
- A mid year performance review (this Stewardship Report).

2.2 This report sets out:

- A summary of the original strategy agreed for 2020/21 and the economic factors affecting this strategy (Appendix A).
- The treasury management activity during the year 2020/21 (Appendix B);
- The treasury management mid year activity for 2021/22 (Appendix C);
- The Prudential Indicators, which relate to the Treasury Management function, Minimum Revenue Policy (MRP) and compliance with limits (Appendix D).

3. The economic conditions compared to our Strategy for 2020/21

3.1 The strategy and the economic conditions prevailing in 2020/21 are set out in Appendix A. 2020/21 remained a challenging environment with concerns over the UK, European and global economies rising especially in the latter part of 2020/21. The global impact of the coronavirus pandemic and the national response and subsequent lockdowns started to be felt during 2020/21.

4. The Treasury activity during the year on short term investments and borrowing

<u>The Treasury Management Strategy</u>

4.1 The strategy for 2020/21, agreed in February 2020, continued the prudent approach and ensured that all investments were only to the highest quality rated institutions with regard to security, liquidity and yield. At its meeting of 15 October 2019, Full Council declared a Climate Emergency (Item 37): as a consequence, Treasury Management officers have been exploring ways in which the Council's cash balances can be utilised to support the Council's commitment to tackle climate change. As a result, consideration of Environmental, Social and Governance (ESG) factors has been built into the 2020/21 Annual Investment Strategy.

Short term lending

4.2 The Bank of England (BoE) Base Rate remained 0.10% during 2020/21 a record low for the UK and set as a measure to support the economy during the COVID 19 pandemic.

4.3 The total amount received in short term interest for 2020/21 was £1.7m at an average rate of 0.72%. This was above the average base rates in the same period (0.10%) and above the average returns achieved with peer authorities from treasury advisors (Link Asset Services) investment benchmarking. The Return for 2020/21 was against a backdrop of ensuring, so far as possible in the current financial climate, the security of principal and the minimisation of risk about liquidity to support the Council's cashflow should it be required.

Longer term lending

4.4 During 2020/21 a number of longer term local authority investments were placed with the aim of locking in certainty of return. These investments have secured a fixed level of return without compromising credit quality in a low interest rate environment.

Long term borrowing

4.5 Details of long term borrowing are included in Appendix B of the report. The important points are:

- No new borrowing was undertaken in 2020/21.
- The average interest rate of all debt at 31 March 2021 (£236.6m) was 4.65% (4.73% at 31 March 2020).
- Public Works Loan Board (PWLB) Debt maturing during 2020/21 totalled £2.6m and was at an average rate of 8.13%.

Minimum Revenue Provision (MRP)

4.6 Full details of the 2020/21 MRP policy are set out in Appendix D.

5. Treasury Management Mid Year Review 2021/22

5.1 The Treasury Management and Annual Investment Strategy for 2021/22 were approved by Full Council on 9 February 2021 and was prepared within the context of the financial challenge being faced by the County Council.

5.2 Working practices adopted during the outbreak of the COVID 19 pandemic continued into 2021/22 within Treasury Management with no business disruption to report.

5.3 The risk to cashflow during the period was reduced due to grant funding and timing of cashflows, however, funds remained liquid in order to support the Council's cashflow demand.

5.4 As in previous years several Local Authority investments were placed during the period to secure a fixed rate of return. In July 2021 two fixed term bank deposits totalling £30m were placed with Standard Chartered that are ringfenced within a sustainable lending ESG framework. These investments fulfilled the key principals of security, liquidity and yield with the overlay of ESG included.

5.5 The total amount received in short term interest for 6 months to 30 September 2021 was £607,000 at an average rate of 0.39%. This was above the average base rates in the same period (0.10%) and investment benchmarking with peer authorities.

5.6 No additional PWLB borrowing was undertaken in the period and no cost effective opportunities to restructure debt have taken place. During 2021/22 PWLB to mature totals £3.6m, taking total debt down to £232.9m by 31 March 2022; this historic debt is at an average rate of 6.84%.

5.7 Bank of England Base Rate during the first 6 months of 2021/22 were held at 0.10%. Market sentiment for a rate rise has shifted following the latest Monetary Policy Committee (MPC) meeting held in September 2021. The latest economic commentary provided by Link Asset Services (LAS) is set out in Appendix D.

6. Prudential Indicators which relate to the Treasury function and compliance with limits

6.1 The Council is required by the CIPFA Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management and they are set out in Appendix D; the Council is fully compliant with these indicators.

7. Conclusion and reason for recommendation

7.1 This report updates the Committee and will be reported to Cabinet in December, and fulfils the requirement to submit an annual/half yearly report in the form prescribed in the Treasury Management Code of Practice. Short term lending throughout the 18 month period covered achieved returns between 0.37% and 1.01%. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further opportunities within the strategy to increase investment income whilst minimising costs and maintaining security, in a period of significant uncertainty.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell Tel No. 01273 481399

BACKGROUND DOCUMENTS

Cabinet 28 January 2020 Treasury Management Strategy for 2020/21
26 January 2021 Treasury Management Strategy for 2021/22

CIPFA Prudential Code and Treasury Management in the Public Services- Code of practice
Local Government Act 2003 Local Government Investments guidance.

Appendix A

A summary of the strategy agreed for 2020/21 and the economic factors affecting this strategy

1. Background information

1.1 Full Council approved the annual Treasury Management Strategy report in February 2020, which sets out the proposed strategy for the year ahead. This strategy includes the limits and criteria for organisations to be used for the investment of cash surpluses and has to be approved by the Council.

1.2 This Council has always adopted a prudent approach to its investment strategy and in the last few years, there have been regular changes to the list of the approved organisations used for investment of surpluses. This list is regularly reviewed to ensure that the Council is able to invest in the best available rates consistent with low risk; the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained.

1.3 The original strategy for 2020/21 was prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan (MTFP). The 2020/21 strategy sought to complement the Council's MTFP:

- Utilising long term cash balances as effectively as possible by investing in longer term instruments and/or using to fund borrowing to reduce borrowing costs;
- Ensuring the investment portfolio is working hard to maximise income by exploring alternative appropriate investment opportunities during 2020/21;
- Ensuring effective management of the borrowing portfolio by exploring rescheduling opportunities and identifying and exploiting the most cost effective ways of funding the Council's borrowing requirement.

1.4 At the same time, the Treasury Management Policy Statement was agreed as unchanged for 2020/21.

East Sussex County Council defined its treasury management activities as:

"The management of the organisation's cash flows, its banking, money market and Capital market transactions (other than those of the Pension Fund) the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management".

2. Investment

2.1 When the strategy was agreed in January 2020, it emphasised the continued importance of credit quality. The Treasury Management Advisors Link Asset Services commented on short term interest rates, the UK economy, inflation, the outlook for long term interest rates and these factors were taken into account when setting the strategy. The 2020/21 Investment Strategy permitted officers to explore new opportunities to invest long-term cash in suitable longer term instruments in order to assist in delivering treasury savings by increasing investment income. Modelling of the Council's use or reserves and planned capital programme identified balances that could be invested for a longer duration (for approximately 3 years). An options appraisal review was undertaken during 2019/20 to identify investment options which matched the three year time horizon.

2.2 On 15 October 2019, Full Council declared a Climate Emergency (Item 37). Subsequently, Treasury Management officers have been exploring ways in which the Council's cash balances can be utilised to support the Council's commitment to tackle climate change. As a result, consideration of ESG factors has been built into the 2020/21 Annual Investment Strategy.The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further opportunities within the strategy to minimise costs and increase investment income within the key principles.

2.3 Officers regularly review the investment portfolio, counterparty risk and construction, and use market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets.

2.4 This Council in addition to other tools uses the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit default swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

2.5 The strategy going forward was to continue with the policy of ensuring minimum risk, but was also intended to deliver secure investment income on the Councils cash balances.

2.6 As was clear from events globally and nationally since 2008, it is impossible in practical terms to eliminate all credit risk.

2.7 The strategy aimed to ensure that in the economic climate it was essential that a prudent approach was maintained. This would be achieved through investing with selected banks and funds which met the Council's rating criteria. The emphasis would continue on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed) rather than yield.

2.8 The Council's investment policy has regard to the Ministry of Housing, Communities & Local Government's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Link Asset Services al Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.

2.9 Investment instruments identified for use in the financial year are listed in section 3.2 and 4.1 under the 'Specified and Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

2.10 The weighted scoring system produces an end product of a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments, i.e., using counterparties within the following durational bands provided they have a minimum AA+ sovereign rating from three rating agencies:

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year

- Red 6 months
- Green 3 months
- No Colour, not to be used

Y	P	B	O	R	G	N/C
Up to 2yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 mths*	*Up to 100days*	*No Colour*

2.11 The Link Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

2.12 Typically the minimum credit ratings criteria the Authority use, will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link Asset Services credit worthiness service.

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

2.13 The Link Asset Services methodology determines the maximum investment duration under the credit rating criteria. Key features of Link Asset Services credit rating policy are:

- a mathematical based scoring system is used taking ratings from all three credit rating agencies;
- negative and positive watches and outlooks used by the credit rating agencies form part of the input to determine a counterparty's time band (i.e. 3, 6, 9, 12 months etc.).
- CDS spreads are used in Link Asset Services creditworthiness service as it is accepted that credit rating agencies lag market events and thus do not provide investors with the most instantaneous and "up to date" picture of the credit quality of a particular institution. CDS spreads provide perceived market sentiment regarding the credit quality of an institution.
- After a score is generated from the inputs a maximum time limit (duration) is assigned and this is known as the Link Asset Services colour which is associated with a maximum suggested time boundary.

2.14 All of the investments were classified as Specified (i.e., investment is sterling denominated and has a maximum maturity of 1 year) and non-Specified Investments (i.e., any other type of investment not defined as Specified). These investments were sterling investments for up to two years maturity with institutions deemed to be high credit quality or with the UK Government (Debt Management Account Deposit Facility). These were considered low risk assets where the possibility of loss of principal or investment income was small.

2.15 If investment instruments identified in the financial year under the 'Non-Specified and Specified' Investments categories were used, the Council funds would be invested as follows:

3. Specified Investments

3.1 An investment is a specified investment if all of the following apply:

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 1 year);
- the making of the investment is not defined as Capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- the investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
  - The United Kingdom Government;
  - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; and
  - High credit quality is defined as a minimum credit rating as outlined in section 4.2 of this strategy.

3.2 The use of Specified Investments

Investment instruments identified for use in the financial year are as follows:

- The Table below set out the types of investments that fall into each category, counterparties available to the Council, and the limits placed on each of these. A detailed list of each investment type is available in the Treasury Management Practices guidance notes;
- all investments will be within the UK or AA+ sovereign rated countries.

Criteria for specified Investments:

Counterparty	Country/ Domicile	Instrument	Min. Credit Criteria/LAS colour band	Max. Amount	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits (TDs)	N/A	unlimited	12 Months
Government Treasury bills	UK	TDs	UK Sovereign Rating	unlimited	12 Months
UK Local Authorities	UK	TDs	UK Sovereign Rating	£60m	12 Months
Banks – part nationalised	UK	▪ TDs ▪ Deposits on Notice ▪ Certificates of Deposit (CDs)	N/A	£60m	12 Months
Banks	UK	▪ TDs ▪ Deposits on Notice ▪ CDs	Blue	£60m	12 Months
			Orange	£60m	12 Months
			Red	£60m	6 Months

Counterparty	Country/ Domicile	Instrument	Min. Credit Criteria/LAS colour band	Max. Amount	Max. maturity period
			Green	£60m	100 Days
Building Societies	UK	▪ TDs ▪ Deposits on Notice ▪ CDs	Blue	£60m	12 Months
			Orange	£60m	12 Months
			Red	£60m	6 Months
			Green	£60m	100 Days
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ EU domiciled	AAA Rated Money Market Fund Rating	N/A	£60m	Liqiuid
VNAV MMF's and Ultra Short Dated Bond Funds	UK/Ireland/EU domiciled	AAA Rated Bond Fund Fund Rating	N/A	£60m	Liquid
Banks – Non-UK	Those with sovereign rating of at least AA+*	▪ TDs ▪ Deposits on Notice ▪ CDs	Blue	£60m	12 Months
			Orange	£60m	12 Months
			Red	£60m	6 Months
			Green	£60m	100 Days

4. Non Specified Investments

4.1 Non-Specified investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

Counterparty	Minimum credit criteria	Maximum investments	Period
UK Local Authorities	Government Backed	£60m	2 years
Corporate Bond Fund(s)	Investment Grade	£30m	2 - 5 years
Pooled Property Fund(s)	N/A	£30m	5+ years
Mixed Asset Fund(s)	Appropriate rating	£30m	2 - 5 years
Short Dated Bond Fund(s)	N/A	£30m	2 – 5 years

4.2 The maximum amount that can be invested will be monitored in relation to the Council surplus monies and the level of reserves. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Council will liaise regularly with brokers for updates. Where Externally Managed Funds are not rated a selection process will evaluate relative risks & returns. Security of the council's money and fund volatility will be key measures of suitability. Counterparties may be added to or removed from the list only with the approval of the Chief Finance Officer.

5. The economy in 2020/21 – Commentary from Link Asset Services (Treasury Management Advisors) in April 2021

5.1 The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one.

5.2 The advent of vaccines starting in November 2020, was a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.

5.3 The Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn.

5.4 The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing (QE - purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

5.5 Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "*it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably*". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

5.6 Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

5.7 Employment - Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 2020/21 and 2021/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

5.8 BREXIT - the final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

Appendix B

The Treasury Management activity during the year 2020/21

1. Investment activity interest rates

1.1 Investments were placed with reference to the core balance and cash flow requirements and the outlook for interest rates. Base interest rates during the period were 0.10%, the current record low for UK interest rates.

1.2 Following consultation, changes to the strategy were made from 2017/18 to broaden the risk profile by reducing liquidity and to include some suitable, alternative investment products that are held for the medium (2-5 years) to longer term (5 years+). These products can generate better overall returns but there is a higher risk of volatility of performance so a longer term commitment is required.

1.3 The following table below summarises the changes made. The inclusion of an investment product category in the strategy does not automatically result in investments being placed.

Investment options	2017/18	2018/19	2019/20	2020/21
Money Market Funds (Including LVNAV)	✓	✓	✓	✓
Bank Notice Accounts	✓	✓	✓	✓
Fixed Term Bank Deposits	✓	✓	✓	✓
UK Local Authorities	✓	✓	✓	✓
Enhanced Money Market Funds (VNAV)	✓	✓	✓	✓
Building Societies	✗	✓	✓	✓
Pooled Property Funds	✗	✓	✓	✓
Corporate Bond Funds	✗	✓	✓	✓
Mixed Asset Funds	✗	✓	✓	✓
Equity Funds	✗	✗	✓	✓

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

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security;
- It has sufficient liquidity in its investments;
- It receives a yield that is aligned with the level of security and liquidity of its investments;
- Where possible, it actively seeks to support Environmental, Social and Governance (ESG) investment products and institutions that meet all of the above requirements.
- The preservation of capital is the Council's principal and overriding priority.

1.4 The total amount received in short term interest for 2020/21 was £1.7m at an average rate of 0.72%. This was above the average of base rates in the same period (0.10%) and against a backdrop of ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk within a broader boundary.

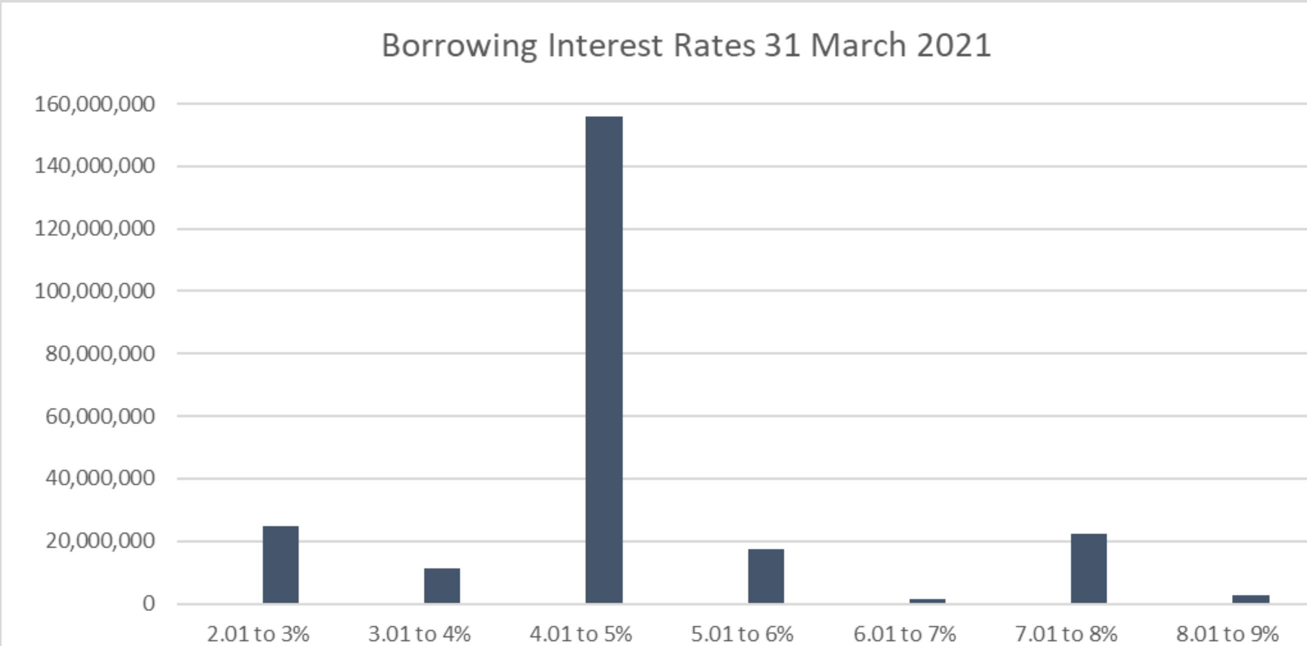
2. Long term borrowing

2.1 Officers constantly reviewed the need to borrow taking into consideration the potential movements in borrrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

2.2 During 2020/21 £2.6m of PWLB debt matured at a coupon rate of 8.13%. This historic maturing debt was not replaced with additional in year new borrowing.

2.3 The average interest rate of all debt at 31 March 2021 of £236.6m was 4.65%. No beneficial rescheduling of debt has been available, due to a considerable widening of the difference between new borrowing and repayment rates, which has made PWLB debt restructuring much less attractive. Consideration would have to be given to the large premiums (cash payments) which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

2.4 The range of interest rates payable in all of the loans is illustrated in the graph below:



3. Short term borrowing

3.1 A short term loan was arranged on the 1st April 2020 with another Local Authority to cover potential gaps in the Council's cashflow, the £10m loan was paid back on maturity 15th May 2020 and was at a rate of 0.15%. Further short-term borrowing during 2020/21 was not required.

4. Treasury Management Advisers

4.1 The Strategy for 2020/21 explained that the Council uses Link Asset Services as its treasury management consultant on a range of services which include:

- Technical support on treasury matters, Capital finance issues and advice on reporting;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings from the three main credit rating agencies and other market information;
- Assistance with training on treasury matters

4.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remained with the Council. This service remains subject to regular review.

4.3 Link Asset Services is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market leading treasury management service provider to their clients. The advice has been and will continue to be monitored regularly to ensure a continued excellent advisory service.

Appendix C

The Treasury Management Activity Mid-Year Report – 2021/22

1. Background

1.1 The Treasury Management and Annual Investment Strategy for 2021/22 were approved by the Cabinet 26 January 2021. The 2021/22 strategy maintained the approved instruments adopted previously to improve yield and diversify the investment portfolio. Changes to the strategy are summarised below.

Investment options	2017/18	2018/19	2019/20	2020/21	2021/22
Money Market Funds (Including LVNAV)	✓	✓	✓	✓	✓
Bank Notice Accounts	✓	✓	✓	✓	✓
Fixed Term Bank Deposits	✓	✓	✓	✓	✓
UK Local Authorities	✓	✓	✓	✓	✓
Enhanced Money Market Funds (VNAV)	✓	✓	✓	✓	✓
Building Societies	✗	✓	✓	✓	✓
Pooled Property Funds	✗	✓	✓	✓	✓
Corporate Bond Funds (Including Short Dated Bond Funds)	✗	✓	✓	✓	✓
Multi Asset Funds	✗	✓	✓	✓	✓
Equity Funds	✗	✗	✓	✓	✓

1.2 This report considers treasury management activity over six months of the financial year.

2. Treasury Management Strategy

2.1 The Council approved the 2021/22 treasury management strategy at its meeting on 29 January 2021. The Council's stated investment strategy is to prudently manage an investment policy achieving first of all, security (protecting the Capital sum from loss), liquidity (keeping money readily available for expenditure when needed), and to consider what yield can be obtained consistent with those priorities.

2.2 The 2021/22 Investment Strategy has been set in the context of diminishing returns and opportunities in the current economic environment. The provides the framework for officers to seek new opportunities to invest long-term cash in suitable longer term instruments in order to assist in delivering treasury efficiencies by securing a level of investment income.

2.3 The pandemic, and resultant market uncertainty, has limited the scope for new investments. Actions to explore the available options for Short Dated Bond Funds and Multi Asset Funds have been paused but will be explored in the future when appropriate.

2.4 In response to the Council declaring a Climate Emergency, the Annual Investment Strategy for 2021/22 included Environmental Social and Governance (ESG) as a factor when undertaking investment decisions to allow the Treasury Management Strategy to actively support the Council's aspirations to tackle climate change and other ESG factors. Officers have been exploring how the Council's current counterparties are contributing to this area and are being asked how investment solutions can compliment this strategy. In reality, the market for green and ESG investments is relatively immature, which reduces the ability to actively invest in products that support the Council's aspirations. However, research and the consideration of suitability of ESG investment products will continue into 2021/22.

2.5 The Chief Finance Officer is pleased to report that all treasury management activity undertaken from April 2021 to September 2021 period complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

3 Summary of financial implications / activity

3.1 The Bank of England's Monetary Policy Committee held interest rates at 0.10% over the period. Our Treasury Advisors Link Asset Services are forecasting a low interest rate environment for the next 2 years and beyond with gradual stepped increases.

3.2 During the first half year investments have been held in money market funds, bank notice accounts, other local authorities and the CCLA Local Authority Property Fund. Counterparty credit quality remains a primary concern for the treasury team, with security, liquidity and yield in that order a priority.

3.3 Measures have been undertaken to ensure that levels of liquidity are available during the last 6 months but also opportunities explored to protect investment returns into the current year and beyond. Several local authority investments were placed up to a 2 year period securing a fixed rate of return between 0.12-0.45% within a low credit risk parameter.

3.4 Bank deposits have been placed up to a 6 month duration and notice accounts that have held their rate of return have been utilised.

3.5 Two £15m deposits have been made with regard to ESG and sustainable lending, through Standard Chartered Bank. These investments are assigned to sustainable assets with the aim of addressing the UN sustainable development goals. The offering fulfils the key principle of security, liquidity and yield and is consistent with the banks current other fixed term deposit rates.

3.6 The average investment balance to September 2021 was £309m and generated investment income of £607,000. The forecast for 2021/22 is £1.2m and is within budgeted provision.

3.7 No short term loan borrowing was arranged during the period. Future short-term borrowing in the current year is not forecasted but remains an option to cover temporary cashflow requirements.

3.8 The level of Council long-term debt at 30 September 2021 was £234.9m a loan totalling £1.65m matured with the PWLB on the 30th June 2021 held at a rate of 5.75%. The next maturity is on the 31 December 2021, £1.98m at a rate of 7.75%. The forecast for interest paid on long-term debt in 2021/22 is approximately £10.9m and is within the budgeted provision.

3.9 Opportunities to reduce the cost of carry (interest paid against interest received) are constantly being explored as and when options arise.

4. Economic Review (provided by Link Asset Services, September 2021)

4.1 The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

4.2 There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.

4.3 So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

4.4 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

4.5 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

4.6 COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

5.0 Link Asset Services interest rate forecasts

5.1 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

5.2 As shown in the forecast table below, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

Link Group Interest Rate View	29.9.21									
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

5.3 Significant risks to the forecasts:

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that supresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

5.4 The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

5.5 Forecasts for Bank Rate:

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC’s 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool

inflation. Then we have the Government’s upcoming budget in October, which could also end up in reducing consumer spending power.

- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC’s current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Appendix D

1. Prudential Indicators which relate to the Treasury function and compliance with limits

1.1 The Council is required by the Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management and they are set on an annual basis and monitored, they comprise:-:

- Operational and authorised borrowing limits which includes short term borrowing (paragraph 2.1 below)
- Interest rate exposure (paragraph 3.1 below)
- Interest rate on long term borrowing (paragraph 4.1 below)
- Maturity structure of investments (paragraph 5.1 below)
- Compliance with the Treasury Management Code of Practice (paragraph 6.1 below)
- Interest on investments (paragraph 7.1 below)
- Capital Financing Requirement and Minimum Revenue Provision (paragraph 8.1 below)

2. Operational and authorised borrowing limits.

2.1 The tables below sets out the estimate and projected Capital financing requirement and long-term borrowing in 2020/21

	Capital Financing Requirement	**2020/21 Estimate**	**2020/21 Actual**
		£m	**£m**
	Capital Financing Requirement at 1 April 2020	**344**	**342**
add	Capital Expenditure	99	72
add	Impact for IFRS 16 Leases	20	-
less	Capital Financing	(61)	(72)
less	Provision for repayment of debt	(7)	(7)
	Capital Financing Requirement at 31 March 2021	**395**	**335**
add	Short Term Borrowing Provision	10	
	Operational Boundary	**405**	
add	Short Term Borrowing Provision	20	
	Authorised Limit	**425**	

	Actual Borrowing	**2020/21 Actual**
		£m
	Long Term Borrowing at 1 April 2020	**239**
less	Loan redemptions	(3)
add	New Borrowing	-
	Long Term Borrowing at 31 March 2021	**236**

2.2 The Estimated Capital Financing Requirement included a balance of £20m to factor in the introduction of IFRS 16. CIPFA have further delayed the implementation until 1st April 2022. The actual Capital Financing Requirement included PFI Schemes and Finance Leases totalling £80.4m, excluding these results in an underlying need to borrow of £255m.

2.3 The Operational Boundary was consistent with the Council's current commitments, existing plans and the proposals for Capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario. Risk analysis and risk management strategies were taken into account as were plans for Capital expenditure, estimates of the Capital financing requirement and estimates of cash flow requirements for all purposes. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

2.4 The Authorised Limit for borrowing was based on the same estimates as the Operational Boundary but includes additional headroom for a short term borrowing to allow, for example, for unusual cash movements or late receipt of income.

2.5 The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The Long Term borrowing at 31st March 2021 of £236m is under the Operational boundary and Authorised limit set for 2020/21. The Operational boundary and Authorised limit have not been exceeded during the year.

3. Interest rate exposure

3.1 The Council continued the practice of seeking to secure competitive fixed interest rate exposure for 2019/20. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

	2020/21	**2021/22**	**2022/23**
Interest rate exposure	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	15%	15%	15%
Maturity structure of fixed interest rate borrowing 2020/21			
	Lower	**Upper**	**Actual 2020/21**
Under 12 months	0%	25%	2%
12 months and within 24 months	0%	40%	2%
24 months and within 5 years	0%	60%	6%
5 years and within 10 years	0%	80%	13%
10 years and within 20 years	0%	80%	23%
20 years and within 30 years	0%	80%	21%
30 years and within 40 years	0%	80%	33%
40 years and above	0%	80%	0%

3.2 The Council has not exceeded the limits set in 2020/21. Not more than £20m of debt should mature in any financial year and not more than 15% to mature in any two consecutive financial years. Borrowing has been undertaken giving due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any one year or period when interest rates may be unfavourable. The bar chart in the attached Annex 1 shows the maturity profile.

4. Interest rate on long term borrowing

4.1 The rate of interest taken on any new long term borrowing will be been defined with the assistance of Link Asset Services.

5. Maturity structure of investments

5.1 The Investment Guidance issued by the government, allowed local authorities the freedom to invest for more than for one year. All investments over one year were to be classified as Non-Specified Investments. The Council had taken advantage of this freedom and non-Specified Investments are allowed to be held within our overall portfolio of investments and in line with our prudent approach in our strategy.

6. Compliance with the Treasury Management Code of Practice

6.1 East Sussex County Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice for Treasury Management in the Public Services. In December 2018, CIPFA, issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.
A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. The outcome is the new Capital Strategy document now forms part of the annual budget papers.

7. Interest on investments 2020/21

7.1 The table below sets out the average monthly rate received on our investments and compares it to the Bank of England Base rate to reflect both the interest rates available in the market and limitation in the use of counterparties.

Month	Amount £'000	Monthly rate	Margin against Base Rate*
April	183	1.01%	0.91%
May	193	0.99%	0.89%
June	150	0.79%	0.69%
July	163	0.81%	0.71%
August	165	0.78%	0.68%
September	151	0.75%	0.65%
October	152	0.73%	0.63%
November	132	0.67%	0.57%
December	130	0.64%	0.54%
January	112	0.53%	0.43%
February	99	0.52%	0.42%
March	110	0.50%	0.40%
Total for 2020/21	**1,740**	**0.72%**	**0.62%**

*Average base rate during 2020/21 was 0.10%.

7.2 The total amount received in short term interest for the year was £1.74m at an average rate of 0.72%. This was above the average of base rates in the same period (0.10%) but ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk. This Council has continued to follow a prudent approach with security and liquidity as the main criteria before yield.

8. Capital Financing Requirement and Minimum Revenue Provision (MRP)

8.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision - MRP). Ministry of Housing, Communities and Local Government (MHCLG) regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options are available to Councils, so long as the principle of any option selected ensures a prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

8.2 The Council was recommended to approve the following MRP Statement for 2020/21 onwards:

For borrowing incurred before 1 April 2008, the MRP policy will be:

- Annuity basis over a maximum of 40 years.

From borrowing incurred after 1 April 2008, the MRP policy will be:

- Asset Life Method (annuity method) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations. A maximum useful economic life of 50 years for land and 40 years for other assets. This option will also be applied for any expenditure capitalised under a capitalisation directive.

For PFI schemes, leases and closed landfill sites that come onto the Balance Sheet, the MRP policy will be:

- Asset Life Method (annuity method) - The MRP will be calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. Any related MRP will be equivalent to the “capital repayment element” of the annual charge payable.

There is the option to charge more than the prudent provision of MRP each year through a Voluntary Revenue Provision (VRP).

8.3 For loans to third parties that are being used to fund expenditure that is classed as capital in nature, the policy will be to set aside the repayments of principal as capital receipts to finance the initial capital advance in lieu of making an MRP.

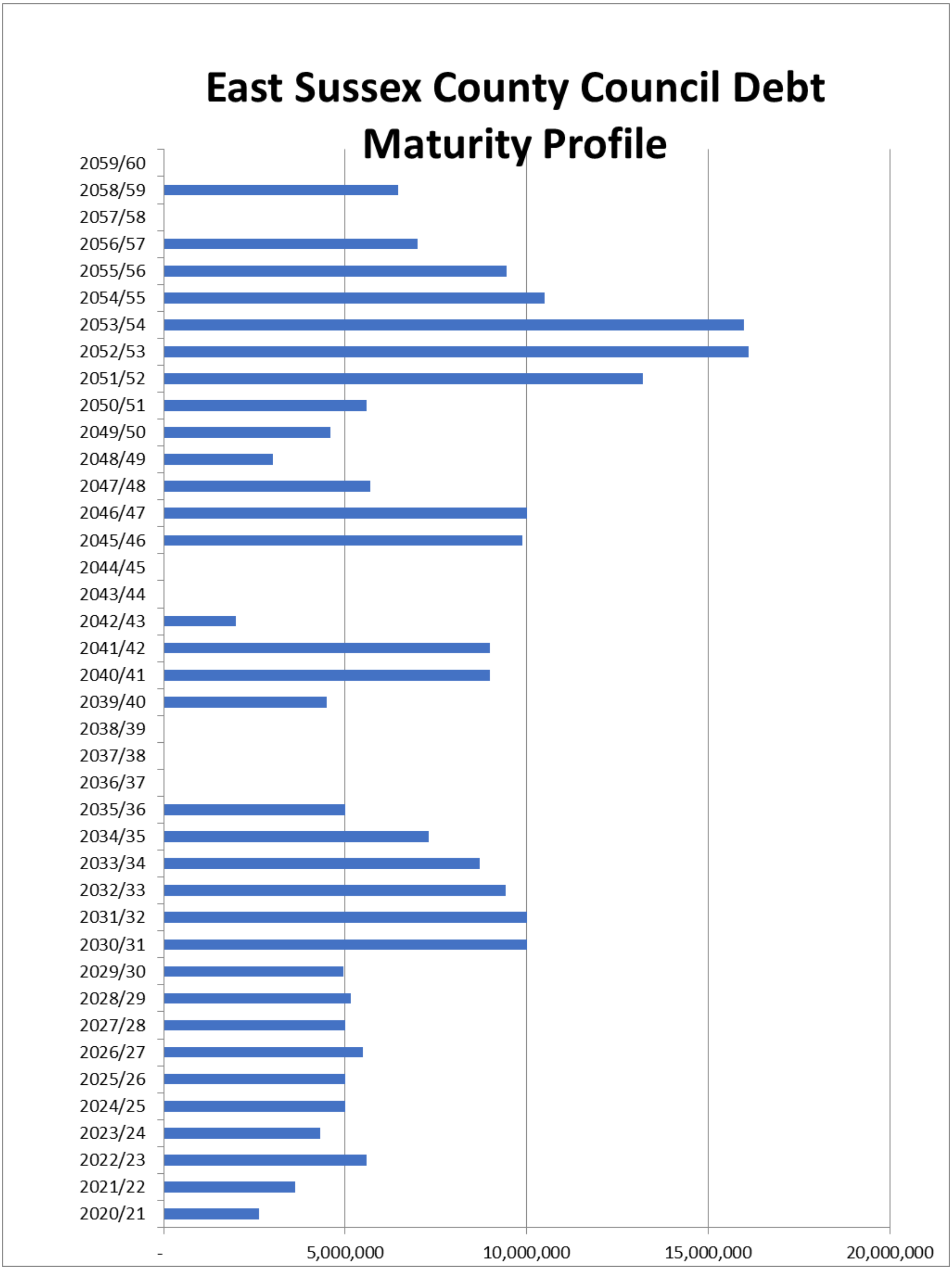
8.4 In view of the variety of different types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure. This approach also allows the Council to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset becomes operational rather than in the year borrowing is required to finance the capital spending.

8.5 The Council’s CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council’s borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR including appropriate balances and MRP charges for PFI Schemes and Finance Leases.

	2020/21 Actual	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
	£m	**£m**	**£m**	**£m**
Total CFR	**335**	**379**	**395**	**400**
Movement in CFR	-	44	16	5

Annex 1


East Sussex County Council Debt Maturity Profile
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Report to:	**Audit Committee**
Date:	**19 November 2021**
By:	**Chief Operating Officer**
Title of report:	**Internal Audit Progress Report – Quarter 2 (1/7/21 – 30/09/21)**
Purpose of report:	**To provide Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key findings. To also provide an update on the performance of the Internal Audit Service during the period.**

RECOMMENDATIONS

The Audit Committee is asked to:

1. **Note the report and consider any further action required in response to the issues raised;**
2. **Identify any new or emerging risks for consideration for inclusion in the audit plan.**

1. Background

1.1 This progress report covers work completed between 1 July 2021 and 30 September 2021.

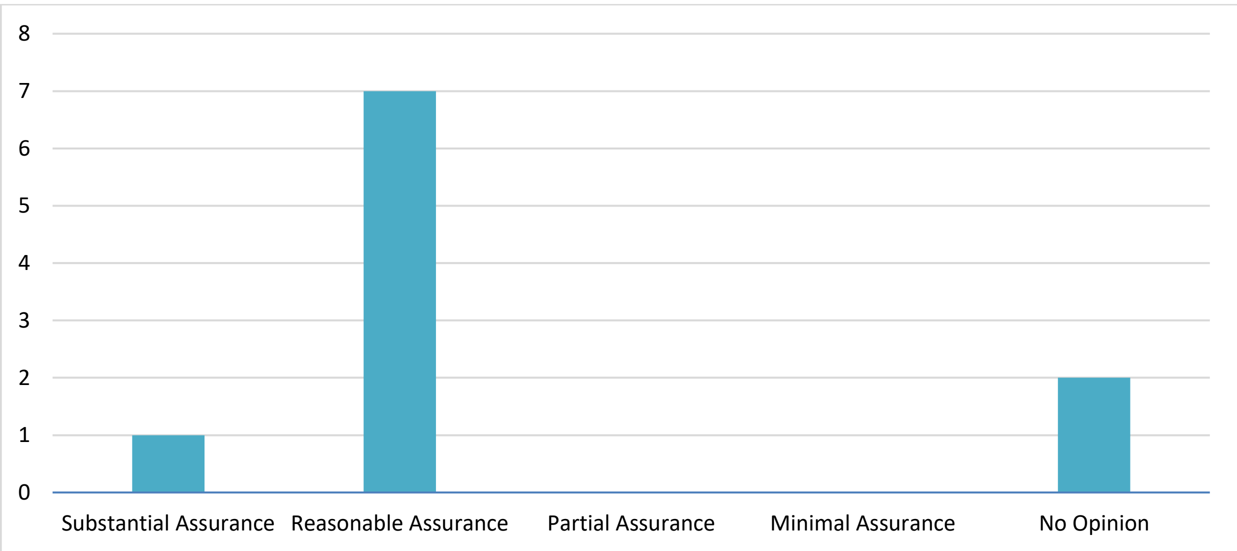
2. Supporting Information

2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2021-22 which was approved by Audit Committee on 26 March 2021.

3. Conclusion and Reasons for Recommendation

3.1 Key audit findings from final reports issued during Quarter 2 are summarised in Annexe A.

3.2 Overall, of the eight formal audits finalised during the quarter, in which a formal audit opinion was given, one received an opinion of 'substantial assurance' and seven received opinions of 'reasonable assurance'.



3.3 Although the same range of internal audit opinions are issued for all audit assignments (where an opinion is relevant), it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. **Taking into account these considerations, the Chief Internal Auditor continues to be able to provide assurance that the Council has in place an effective framework of governance, risk management and internal control**.

3.4 The overall conclusion above has, therefore, been drawn based on all audit work completed in the year to date and considers the management response to audit findings and the level of progress in subsequent implementation. This is something which will continue to be monitored and reported on throughout the year.

3.5 Progress against our performance targets (focussing on a range of areas relating to our service) can also be found in Annexe A (section 5).

PHIL HALL, Interim Chief Operating Officer

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, Tel No: 07824 362739
Nigel Chilcott, Audit Manager, Tel No. 07557 541803

BACKGROUND DOCUMENTS: Internal Audit Strategy and Annual Plan 2021-22

Appendix A

Internal Audit and Counter Fraud

Quarter 2 Progress Report 2021/22

CONTENTS

East Sussex County Council

1. Summary of Completed Audits

Pension Administration - People, Processes and Systems

1.1 The Council is the designated statutory administering authority of the East Sussex Pension Fund. The Council has statutory responsibility to administer and manage the Fund in accordance with regulations of the Local Government Pension Scheme (LGPS). The governance of the Fund is the responsibility of the East Sussex Pension Committee, and the Pension Board, supported by the Chief Finance Officer for East Sussex County Council. The day-to-day administration of the Fund is provided by the Pensions Administration Team (PAT).

1.2 As at 31 March 2020, the Fund comprised 127 scheme employers with 25,002 active, and 31,234 deferred, scheme members. The most recent actuarial valuation of the Fund was carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013, as at 31 March 2019. The valuation found that the funding level has improved from 92% in 2016 to 107% in 2019.

1.3 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Payments made to pensioners are correct and on time;
- Income due to the Fund is received in full and in a timely manner;
- Clear and effective governance processes exist over pension administration to ensure efficient and effective delivery of the administration service;
- The funding levels of new and existing employers is appropriate to meet their liabilities;
- Transactions, data, and outputs from the system are complete and accurate.

1.4 Based on the work performed, we were able to provide an opinion of **reasonable assurance** over the control environment for Pension Administration. Following the previous audit in 2019/20, in which an opinion of minimal assurance was provided, management has taken positive action to address the issues identified and this has resulted in the strengthening of controls in several areas. This has happened during the Covid-19 pandemic and also at a time of significant change within the Administration service, including the dissolution of the Orbis Pensions Partnership between East Sussex County Council (ESCC) and Surrey County Council (SCC), and the project to introduce the new East Sussex pension database. The Hymans data improvement plan has particularly enhanced the quality of data in Altair and improved the process of issuing Annual Benefit Statements to members.

1.5 One of the key issues flagged in the previous audit was the use of manual spreadsheets for the calculation of lump sum and transfer out payments, without checking back to the source information held in Altair. We found that the spreadsheets have now been discontinued and replaced with the Immediate Payment module. The launch of the second module (Admin to Pay) anticipated for September 2021 should fully address the issue of manual calculations outside of Altair.

1.6 Some opportunities to strengthen controls further were identified, including the need to ensure:

- agreements for admitted bodies to the Fund are clearly worded and updated appropriately where requirements change and are agreed, to avoid confusion and uncertainty over the need to obtain bonds;
- there are formal documented procedures which define the end-to-end processes performed by the Pension's Administration Team;
- key service standards in the Pension Fund's Strategy document are tracked on the monthly scorecards, to ensure that service and delivery levels are monitored and reported on; and
- pension calculations are evidenced by checks performed by another member of the team, to confirm the accuracy of the calculation undertaken.

1.7 Actions to address these areas were agreed with management within a formal management action plan.

Treasury Management

1.8 Treasury management is the management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.9 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates the service in compliance with this code.

1.10 The purpose of this audit was to provide assurance that:

- the Council has established an appropriate Treasury Management Policy & Investment Strategy;
- all lending and borrowing decisions are based on robust cash flow forecasting over the short, medium and long term;
- investments are made with approved counterparties within approved limits, are correctly paid, authorised and are repaid by counterparties with the correct amount of interest;
- borrowings are made only from approved organisations, are correctly authorised and repaid to counterparties with the correct amount of interest;
- there is regular and independent reconciliation between the treasury management record, the bank account and the general ledger; and
- officers and elected Members receive regular and informative training and performance monitoring information.

1.11 In completing our work, we found that robust controls were in place and we were able to provide an opinion of **substantial assurance**. A small number of findings were made, including a medium rated finding, relating to the need to formalise reconciliation processes. Appropriate actions were agreed with management to address these findings.

Risk Management

1.12 As with all local authorities, there is an element of risk in all the activities undertaken by the County Council in its daily operations. Risks are recorded and managed both within departments and at a strategic level, and are subject to review by either the Corporate, or Departmental, Management Teams, as appropriate.

1.13 Considering the current economic climate and the pressures that local authorities are facing, many risks are becoming increasingly hard to mitigate. In addition to this, the Council's changing risk appetite may result in an increased acceptance of risks that would previously have been avoided, at both departmental and strategic levels.

1.14 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- The Council has in place a robust Risk Management Framework which facilitates the effective identification, assessment, and response (where appropriate) to risks.
- Management ensure that risks are subject to appropriate identification, assessment and response (where appropriate) in accordance with the organisation's Risk Management Framework.
- Effective mitigations are in place to minimise the impact and / or likelihood of occurrence of the risks identified.
- Robust reporting arrangements are in place to allow for effective senior officer and Member oversight.

1.15 We were able to provide an opinion of **reasonable assurance** over the control environment because there is an updated Risk Management Framework in place which defines the process for the identification and management of risks at both strategic and departmental levels, and is in line with best practice guidance. In addition, there are robust processes for identifying and recording new risks within departments that could impact upon the achievement of objectives. Risks at both departmental and strategic level are reported to senior management and Members, appropriately, and in a timely manner.

1.16 Some areas where improvements could be made to further strengthen the arrangements include:

- the need for formal training and/or refresher training for officers responsible for risk management across the organisation.
- regular contact between the coordinators of departmental risks and officers within their departments, to ensure that risk registers are updated with adequate risk ratings and mitigations.
- a defined process for the identification of new and emerging risks, to enhance the ability to implement appropriate measures.

1.17 A formal action plan to address the findings of the review has been agreed with management.

COVID-19 - Procurement Risk

1.18 The Covid-19 pandemic has resulted in a number of changes to the environment and working practices in relation to procurement, which has led to increased risks in a number of areas.

1.19 In response to the outbreak of Covid-19, the Cabinet Office issued two Public Procurement Notices (PPNs), which set out guidance on public procurement regulations to expedite procurement of goods, services and works in extreme urgency. Authorities are permitted to do this using regulation 32(2)(c) under the Public Contract Regulations 2015. The PPNs outlined measures that are considered necessary to ensure continuity of service provision in the short term, protect essential supply chains in the longer-term and, in particular, to retain capacity post-Covid-19. As a result, changes to processes were made that may have affected the control environment.

1.20 The total estimated cost of direct awards to ESCC suppliers for urgent goods and services was £13.3m (£8.9m of which was for protective personal equipment). In addition, there were 61 contract extensions or modifications (c.£3.1m) and 66 contracts (c.£18m) were listed on the Council's waivers log.

1.21 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- Supplier relief (including hardship payments for services not provided) complies with statutory regulations, Council requirements and delivers sustainable services and value for money.
- Repurposing of suppliers' services complies with statutory regulations, meets genuine need and delivers value for money.
- Transition to business as usual is effective in mitigating the risks of providing poor quality services and suppliers going into voluntary liquidation.
- All emergency purchases using P-cards comply with the statutory regulations provided in the PPNs.
- Payments to suppliers under revised payment terms are processed correctly and no duplicate payments are made.
- Extensions and variations to contracts comply with statutory regulations and the Council's requirements.
- Transactions, data and outputs from financial and procurement systems are complete and accurate.

1.22 Based on the work carried out, we have been able to provide an opinion of **reasonable assurance** over the controls in this area, with a high level of compliance with the statutory procurement policy notices (PPNs) issued by the government.

1.23 A waiver log has been maintained which includes reasons for the waiver, spend value and approvals obtained, and our tests of waiver requests noted in all cases that these were approved by the appropriate heads of service, chief officer and Head of Procurement. Emergency procurements, direct awards, contract extensions and relief granted to suppliers were also subject to an appropriate level of scrutiny by the Council's Procurement, Finance and Legal teams. These were all formally documented, approved and monitored on the emergency log maintained by Procurement.

1.24 The following areas for improvement were identified:

- The need to publish contracts within 90 days of the contract award as required by the Official Journal of the European Union (OJEU) or the relevant UK notification service called Find a Tender (FTS), to avoid breaches to statutory requirements.
- Pre validation checks are performed before PPE's are ordered, to minimise the risk of delivery of counterfeit products and non-compliance with health and safety requirements.
- Contract variation letters for supplier relief granted are always formally signed off between representatives of the Council and suppliers, to prevent avoidable losses to the Council.

1.25 A formal action plan to address the findings above has been agreed with management.

DWP/Searchlight System Security Compliance (2021/22)

1.26 In February 2021, the Department of Works and Pensions (DWP) wrote to all S151 Officers and Senior Responsible Officers for Security (as defined by the DWP) for support in addressing an upward national trend in the number of suspected data breaches involving the inappropriate access by local authority staff to the DWP & HMRC personal customer data held within the DWP's Searchlight System.

1.27 The data held within Searchlight, accessible by staff within the Adult Social Care Financial Services and Blue Badge teams', includes service user's confidential benefit information held by the DWP. There are approximately 22 staff with access to the data, along with six members of staff with administrator rights to enable the adding/removing of staff from the system.

1.28 This review was an addition to the agreed Internal Audit Plan for 2021/22 in response to the above-mentioned letter from the DWP and sought to provide assurance over the level of compliance within the Council with the expectations contained within the letter.

1.29 Overall, we were able to provide an overall opinion of **reasonable assurance** on the basis that:

- Training undertaken by staff to embed sound data security principles within departments and as part of organisational GDPR training, helps to ensure that staff are suitably aware of the seriousness and potential consequences of a data breach incident.
- 'Management checks' for which the user is required to provide evidence of a genuine business reason to access the record are undertaken, which helps to embed the message that staff must only access the system for a legitimate purpose.

- There is a comprehensive training guide in place to help ensure that staff are aware of their data security responsibilities, along with a training checklist which assures the administrator that all relevant checks and training have been completed.

1.30 Although the DWP have set a deadline of 20th April 2022 for all staff Baseline Personnel Security Standard checks to have been completed, at the time of our audit, arrangements and responsibilities for completing these checks had not been formally agreed. Appropriate actions have been agreed with management to address this and to help share good practice across the organisation.

Libraries Asset Management Follow up

1.31 The Library and Information Service (LIS) has 17 libraries and a central warehouse at Ropemaker Park, holding stock of approximately 500,000 books (including reserve stock and specialist collections). In recent years, budget reductions have resulted in the closure of a number of libraries and the Schools' Library and Museum Service (SLAMS), with the service disposing of around 50,000 books a year.

1.32 An audit of Libraries Asset Management was completed in 2020/21, in which an audit opinion of partial assurance was given. The audit contained 12 actions agreed with management, including two rated as high priority. As a result, we undertook a follow up audit to provide assurance that the agreed actions from the previous audit had been implemented.

1.33 Our follow up work identified that, of the 12 actions agreed, five had been implemented in full, whilst three had been partially implemented. Both high-risk actions had been implemented. As a result of the improvements we identified, we were able to issue an improved opinion of **reasonable assurance** over the controls in place.

1.34 The actions that had not been implemented related to the need to:

- strengthen the valuation process before the Council's assets are sold;
- maximise income by widening the pool of vendors who purchase our assets;
- improve transaction details in SAP to clarify the nature of the sale;
- document procedures for offering surplus books internally within the Council (e.g. to the Keep) before a decision is taken to dispose of them; and
- ensure all officers complete declarations in the register of interests.

1.35 Revised timescales were agreed with management for all of these actions along with those previously only partially implemented.

Adult Social Care Transformation Programme

1.36 The Adult Social Care and Health (ASCH) Transformation Programme aims to deliver a model for the future delivery of ASCH which aligns with Council priorities and takes full account of the impact of the Covid-19 pandemic and any resulting requirements, including a review of the ASCH core offer to ensure the financial consequences are fully considered.

1.37 Whilst there are numerous components within the programme, we agreed with management to focus, initially, on the projects relating to Commissioning and Income, due to the high financial risks associated with these activities. Further to previous updates on our work, we completed the following activities in quarter two:

- Building on the advice provided in quarter one for the Income Project, we attend the Direct Payment Project Group meetings, to provide advice from a risk and control perspective. This group has developed from the Income Project, whose work has now concluded.

- We have issued a Position Statement for the Direct Payments Intake Project, in which we detailed areas of consideration for management to take forward, and which have been agreed. We have also provided advice on the proposed process for the Direct Payments Invoice Payment Project.

- We have attended meetings of the Personalised Care Strategic Review Board, which has discussed the initial scoping of personalised care, its delivery and associated risks.

- As part of our continuing work with ASCH, we have provided advice over the Infection Control Fund process, which involves the allocation of grant funding to support care providers in East Sussex, to assist with continuation of their service. Proposed areas of consideration to strengthen controls were discussed and agreed with management.

1.38 Our support for the programme will continue as it develops towards its implementation stage.

Troubled Families Grant Certification

1.39 The Troubled Families (TF2) programme has been running in East Sussex since January 2015 and is an extension of the original TF1 scheme that began in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Ministry of Housing, Communities and Local Government (MHCLG), based on the level of engagement and evidence of appropriate progress and improvement.

1.40 Children's Services submit periodic claims to the MHCLG to claim grant funding under its 'payment by results' scheme. The MHCLG requires Internal Audit to verify 10% of claims prior to the local authority's submission of its claim. We therefore reviewed 20 of the 203 families included in the July/September 2021 grant.

1.41 In completing this work, we found that valid 'payment by results' (PBR) claims had been made and outcome plans had been achieved and evidenced. All of the families in the sample of claims reviewed had firstly met the criteria to be eligible for the TF2 programme and had either achieved significant and sustained progress and/or had moved from out of work benefits into continuous employment. We therefore concluded that the conditions attached to the TF2 grant determination programme had been complied with.

Bus Service Operators Grant (BSOG)

1.42 BSOG payments from the Departments for Transport (DfT) are made to local authorities for running community transport and bus services. BSOG aims to benefit passengers by:

- helping to keep fares down; and
- enabling operators to run services that might otherwise be unprofitable and could lead to their closure.

1.43 The grant is ring-fenced and can be used to fund the provision of supported bus services or other related transport provision. Internal Audit is required to audit a sample of routes and payments made to operators, annually. The audit aims to ensure that payments are calculated accurately, in accordance with the formulae provided by the DfT, and that the conditions attached to the grant are complied with. We were able to confirm that payments were correct and that the Council had complied with the terms of the grant, and a signed declaration was returned to the DfT within the required timescales.

Schools

1.44 During the quarter, two school audits were completed, one of which (Heathfield Community College) was a follow up audit after an opinion of partial assurance had been given in November 2019. School audits review the adequacy of arrangements in place in the following areas:

- Governance and decision-making;
- Budget management;
- School security;
- Payments to staff;
- Expenditure;
- Income; and
- The security of assets.

Name of School	Audit Opinion	Areas Requiring Improvement
Etchingham County Primary School	Reasonable Assurance	The school needs to ensure that: • They formalise the governance arrangements to clarify responsibilities across the federation; • The full range of pre-engagement checks are carried out on contractors, including safeguarding and public liability insurance; • All new staff complete declarations in the register of interests.
Heathfield Community College (Follow up)	Reasonable Assurance	The college needs to ensure that: • It complies with Procurement and Contract Standing Orders to ensure that value for money is achieved; • Purchase orders are raised in a timely manner in accordance with Financial Regulations; and • Budget Share funds (public money) is kept strictly separate from the School Fund (private funds) in accordance with the Scheme for Financing Schools.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 During the quarter, three Fraud Awareness sessions have been delivered to Business Operations staff focusing on the risks to the Council of bank mandate fraud and cyber fraud.

2.2 In addition, the Council's Counter Fraud Strategy has been reviewed and updated, and was presented to the Audit Committee on 17 September 2021 and subsequently approved by the Governance Committee. The Fraud Risk Assessment has also been reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified.

2.3 Internal Audit are continuing to liaise with services to ensure that matches from the National Fraud Initiative are being reviewed and processed, and the team continue to monitor intelligence alerts and share information with relevant services as and when appropriate.

Summary of Completed Investigations

Mandate Fraud

2.4 A referral was made to Internal Audit following a member of staff receiving an email alerting them that their bank account had changed within the payroll system. The change had not been instigated by the member of staff. Following an investigation, we were able to confirm that controls were in place to prevent such attempts but on this occasion the correct process had not been followed within the service responsible. The staff concerned have now attended Fraud Awareness Training and the incident has been reported to Sussex Police.

Deprivation of Capital

2.5 Internal Audit has provided advice and support to Adult Social Care in respect of two cases where clients, who had made an application for a Direct Payment, had potentially transferred assets away from their ownership before their financial assessments took place (known as deprivation of assets). This is a fraudulent means of reducing a client's net worth, which would increase the amount of financial support they would receive and is a criminal offence. One case was referred to the police. In the second case, we provided advice to the service relating to potentially false documentation, leaving the service to determine whether the client had deliberately deprived themselves of capital.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter two, 100% of high priority actions due had been implemented.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan so far this year:

Planned Audit	Rationale for Addition
Robotic Process Automation (to archive electronic HR files)	ESCC wish to automate the process for archiving HR files for when an employee leaves ESCC, using RPA technology.
Heathfield Community College Follow Up	Postponed due to Covid-19. Reported on above (1.44).
Adoption South East	Adoption South East (ACE) comprises Services from East and West Sussex, Brighton & Hove and Surrey. A formal partnership has been established under a Section 75 pooled budget arrangement, with East Sussex County Council as the

Planned Audit	Rationale for Addition
	host authority. This is to review the governance and financial management arrangements of the partnership. Reinstated following removal from the 2020/21 audit plan.
UK Community Renewal Fund	The UK Community Renewal Fund (UKCRF) provides £220 million additional funding to help local areas across the UK prepare for the UK Shared Prosperity Fund from April 2022 onwards. The fund invests in skills, community and place, local business, and supports people into employment. ESCC have been assigned as a lead authority to issue invitations for bids, and to assess, and submit to the MHCLG, a shortlist of bids/projects. We were asked to review the proposed arrangements in place within ESCC for the administration, invitation, assessment and submission of bids. As reported in our Q1 report.
Department for Work and Pensions Searchlight System Security Compliance	In February 2021, the DWP wrote to all Section 151 Officers and Senior Responsible Officers for Security for support in addressing an upward trend in the number of suspected data breaches involving inappropriate access by local authority staff on the DWP & HMRC personal customer data held within the DWP's Searchlight System. This assignment sought to give assurance to the S151 Officer of the level of compliance with the expectations contained within the letter. Reported on above (1.26).
Vehicle Usage	Following allegations over the potential misuse of Council fleet vehicles, we have added an audit to review the use of the these to provide assurance that vehicles are only used as per Council policy.
Building Security	As a result of thefts of ICT equipment from Council property, we carried out a review of building security, including arrangements to manage the access card and CCTV systems. As reported in our Q1 report.
Broadband UK Grant - 2021/22	To provide assurance that expenditure complied with the terms of the grant before signing off a return to the Department for Digital, Culture, Media and Sport. As reported in our Q1 report.

4.2 All of the above work has been resourced from contingency/emerging risk days and, to-date, only one audit (Building Condition Asset Management) has been removed from the original audit plan for the year. This is because the actions from that audit are dependent upon the new Property Asset Management System (PAMS) and separate work is underway to support its introduction.

5. Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April		The Annual Plan was and approved by the Audit Committee on 26 March 2021.
	Annual Audit Report and Opinion	By end July		The Annual Report and Audit Opinion was approved by the Audit Committee on 6 July 2021.
	Customer Satisfaction Levels	90% satisfied		100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%		48.5% achieved to the end of Q2. On course to meet the year-end target of 90%.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms		January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings July 2021 - Internal Self-assessment completed, no major areas of non-compliance with PSIAS identified. June 2021 - Internal Quality Review completed, no major

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				areas of non-compliance with our own processes identified.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms		No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions		100%
Our staff	Professionally Qualified/Accredited	80%		91%

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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Report to: **Audit Committee**

Date of meeting: **19 November 2021**

By: **Chief Operating Officer**

Title: **Property Asset Disposal and Property Update**

Purpose: **To provide Audit Committee with an annual report on proposed disposals and other key work activities.**

RECOMMENDATIONS

The Audit Committee is recommended to:

1. **note the contents of this report;**

2. **consider, and recommend any actions that should be taken in response to the contents of this report;**

3. **identify any new or emerging items for consideration.**

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1 Background

1.1 The County Council's strategic framework for its assets is set out in the Council's Property Management Asset Plan 2020-2025. The document is attached as Appendix A.

1.2 The Strategy provides the Council with three principal activities:

i. the ability to drive added value from its current estate from disposal activity;
ii. the option to retain assets to support corporate or service needs; and
iii. enable investment in new assets or projects in support of economic growth opportunities.

2 Supporting Information

These principal activities are outlined in more detail below.

<u>The Council's disposal strategy.</u>

2.1 The Council has adopted a programme approach for its assets that are either surplus to operational requirements or will be surplus at a future date. The Council's Capital Strategy which is updated annually and for 2022/2023 is being revised as part of the RPPR process to set the budget for next year, as well as the medium-term financial planning process. Part of the capital programme includes securing capital receipts secured from surplus assets to help part fund the programme for the Council's basic need capital programme.

2.2 The programme approach for prioritising disposal of surplus assets to secure capital receipts is paying dividends. In this financial year (up to 30 October 2021) gross capital receipts of £8.90 million have been produced, with further capital receipts due before 31 March 2022. Last year's annual audit report highlighted the target of securing £16 million by end of 2023/24. The concentrated resources used since the last annual property update have driven capital receipt delivery. A summary of the current disposals is included in the Exempt report at a later item on the agenda.

2.3 A refined process has been established to look at additional assets that will become surplus that are not already committed in the capital receipts programme. These assets will be subject to a feasibility process to consider their potential for income, capital value or community benefit. A couple of surplus assets with low potential capital receipt outcomes were also re-purposed this financial year for a different operational use.

2.4 A list of additional assets that will become surplus to operational requirements will be presented to the Capital Board in December 2021 for consideration. It is intended this will occur on a regular basis. In the last year, five surplus assets that ceased to be required for core operational use have been let commercially to secure rental income. Over the next year, there will be a structured programme of asset reviews of the Council's non-school operational properties to examine where there is scope for co-sharing, greater space utilisation or opportunities for rental income.

2.5 This approach will yield opportunities to increase rental income from under-utilised properties, so it allows the Council to grow its investment portfolio from its existing asset base. The split from operational to non-operational portfolios (investment properties) will gradually change.

<u>Property advice to services on best use of assets</u>.

2.6 Understanding business needs is still a top priority and what this means for asset requirements. Property continues to focus on delivering asset solutions as part of the Council Plan 2021/2022. Property has a greater understanding of current and proposed service delivery in different parts of the organisation through numerous transformation programmes. Client management engagement has been improved. Over the last 18 months, significant work has been undertaken to ensure all buildings provide safe and Covid secure places for East Sussex County Council (ESCC) staff, visitors, and residents to use. Central government legislation and guidance has changed on how services can operate frontline services which minimises health and safety risks during the pandemic. Property re-structured its facilities management services in early 2020 and this service has adapted well to the changing needs for staff working in assets during the pandemic.

2.7 Property Services continues to respond to the change in focus of the organisation and how it uses its asset base. However, there were some capability and capacity issues in Property, so the Assistant Director of Property has just finalised restructuring Property's Senior Management Team. This allows Property Services to re-align current administration goals following the May elections and to increase the skills base in key areas. All Property staff will have greater understanding of Carbon Zero commitment and how carbon reduction must be driven forward in all aspects of property delivery and solutions.

2.8 There will be a small team that focuses on asset review and measuring property portfolio performance to aid property decisions for the corporate estate, service held assets and for the wider school estate.

2.9 The Workstyles programme is also looking at hybrid working including new service models for its office hubs. Significant engagement has occurred since Spring 2021 and revisions to the space layout and use will be implemented in early 2022 and there will be opportunities for excess office accommodation to be made available to be let to public partners.

2.10 Property and Communities, Economy and Transport (CET) are working together to deliver carbon efficiency projects. Following Cabinet approval in November 2021, additional capital investment will be available to invest in the asset base to reduce carbon emissions.

Council's asset investment strategy.

2.11 The County Council determined in summer 2020 not to follow the route of purchasing commercial assets to produce commercial rental income. The primary reason, at that specific time, was there was significant uncertainty about commercial property markets at the start of the pandemic with national lockdowns. The commercial investment market was badly affected with uncertainty in the short and medium-term with impacts on rents, yield returns and commercial tenants' ability to pay rents. The commercial property markets now in 2021, are still adjusting. Whilst there has been some recovery in some commercial sectors, e.g., warehouses and industrial units, there are sectors such as primary and secondary offices and retail high streets that have high void rates and yield performance has deteriorated.

2.12 As a reminder, the legislation context for local authorities acquiring commercial assets for income is set out in Local Government Act 2003 and the Localism Act 2011. This legislation sought to encourage local authorities to adopt more commercial approaches. It is important to note that prior to the pandemic, other local authorities had acquired commercial assets within their localities, but others had invested in geographical areas which presented potential high rental income growth but not in their administration area. The majority of newly acquired commercial assets purchased by local authorities were wholly or partly funded by the Public Works Loans Board (PWLB).

2.13 In context, the National Audit Office undertook a formal review in February 2020 in respect of Local Authority Investment in Commercial Properties. There were several findings in the report including several local authorities that were exposed to significant financial and reputational risks if there were to be a downturn in the economy as the commercial assets they had acquired would be badly impacted. In addition, PWLB consulted stakeholders about a proposed new approach for access to local authority loans for commercial asset acquisitions in November 2020.

2.14 The National Audit Office report revised criteria for securing loans from PWLB. These included revised loan rates and increasing the breadth of information required within the business cases. The emphasis is now on wider regeneration benefits and housing outcomes. PWLB remit has therefore been amended so a business case for a local authority to acquire commercial assets purely for rental income will be significantly harder to achieve and to be prudent with a local authority's Treasury management strategies. CIPFA are currently consulting on the Treasury Management Code and Capital Prudential Code, which may have an impact on the ability of authorities to borrow and investment in the future

2.15 At this moment in time, there are no proposals to seek to acquire commercial assets for rental income, although the authority is open to explore opportunities that may present themselves. Several local authorities have been financially exposed where income from commercial properties have dropped due to pandemic and economic conditions and investment values have dropped. There are a few reasons it is not recommended for the Council to acquire commercial assets:

i. there is uncertainty in the commercial property market regarding rental levels, voids and yield performance.
ii. there are other pressures on the Council's capital programme for capital investment in a wide range of projects and infrastructure.
iii. access to external funding e.g., PWLB is more difficult and there will be an impact on the Council's Treasury Management Policy.

2.16 For information, the Council will continue to acquire assets/land for its operational delivery in relation to highway projects and school basic need requirements, but this will require a business case.

3 Conclusion and recommendations

3.1 Audit Committee is asked to note the contents of this report and the further information provided in the later agenda item and consider and recommend any actions that should be taken in response to the contents.

PHIL HALL
Chief Operating Officer

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Strategic Asset Plan

2020 - 2025

East Sussex County Council

Foreword

As Lead Member for Resources I am acutely aware of the way we use our property and its impact on the environment. As a Council we have declared a climate change emergency with the aim of becoming carbon neutral before 2050 whilst continuing to do our best to support regeneration, deploying our assets in the most advantageous way to support growth for the benefit of the people of East Sussex.

Our ONE Council ambition remains strong. To achieve better accessibility to services, we take account of our staff and customers needs and we have exciting opportunities due to lease expiries coming up on some of our main operational buildings to review the places and spaces where we want to be.

Progress towards implementing the corporate landlord model continues in a measured way taking account of reducing budgets and changing work styles and practices. We will use our resources wisely continuing with our strategic commissioning policies and working closely with our partners in the Districts and Boroughs and the wider public estate.

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Councillor Nick Bennett
Deputy Leader and Lead Member for Resources

On a general note, as this Strategic Asset Plan demonstrates, we continue to challenge our own processes and assumptions to drive the best outcomes for our property estate. I welcome this new Strategic Asset Plan and commend you to endorse it.

Introduction

Local Authorities across the UK hold large property portfolios (assets made up of buildings and land) which have been acquired, gifted or inherited over many years.

East Sussex County Council is no different, owning or operating over 9,000 plots of land (including highways) and over 470 building assets. This totals at a gross internal floor area, around 717,000m^2 - the same as about 100 football pitches.

To achieve our goals we want to use all our resources effectively, and efficiently, as possible and this includes our land and buildings. The Council has adopted this new Strategic Asset Plan which comprises three separate parts as follows:

- An Asset Management Policy
- An Asset Management Strategy
- An Asset Management Action Plan

These are intended to be live documents to be refreshed over time. Accordingly, readers are advised to ensure that they have the most up to date versions and the parts are always read together to ensure that the correct context is understood.

The benefit of adopting such a structure is that many areas, relating to our approach to asset management, are likely to remain constant for several years (such as our Asset Management Policy). In addition, the strategy is unlikely to change frequently but is likely to have a shorter life than our overall land and property policy objectives.

Supporting these two documents is an Action Plan. This ‘living document’ and will change more frequently as projects are delivered to manage our asset management programmes of work.

Contents

Asset Management Policy

2020 - 2025

Asset Management Objectives

The Council has published eight asset management policies dealing with the way that it manages its property assets (acquisitions, leasing, compliance, maintenance, sustainable buildings, disposals, community asset transfer and carbon). In addition this section establishes the clear principles under which we will manage our assets base. It will remain in place for the next five years but be reviewed annually to ensure it is still relevant to what we are trying to achieve.

1

To plan and manage property as a corporate resource for the benefit of the people of the County of East Sussex, using land and buildings to support the Council's priorities:

- Driving sustainable economic growth
- Keeping vulnerable people safe
- Helping people help themselves
- Making best use of resources

2

To provide the right places and spaces for the Council to deliver its services aligned to operating principles:

- Strategic commissioning
- One Council: working as a single organisation
- Strong partnerships

3

To manage and maintain property effectively, efficiently and sustainably, optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings

4

To use land and buildings to stimulate development and growth, together with supporting local business needs and encouraging new business to the area

5

To promote partnership joint working where it will provide benefits for service delivery and in securing efficiencies

Our Assets

Our Assets are our forward-looking programme, forming part of the overarching transformational programme structure.

The key drivers for the programme are set out here:

- **Closing the buildings we don't need** – operating efficiently within the office buildings that we need and disposing of the buildings we don't require based on Business and Service led strategic changes

- **Addressing the essential maintenance needs of our remaining buildings** – repairing mechanical and electrical (M&E) systems and prolonging their operational lifespan; addressing critical structural issues

- **Complying with statutory regulations** – ensuring that actions are taken to ensure that buildings are compliant with statutory obligations for Fire, Legionella and Asbestos

- **Optimising income** – protecting existing income streams from assets (such as the Civic Centre Car Park) and investing in buildings where additional income can be generated

- **Acknowledging Climate Change and using less energy** – improving energy efficiency in our offices and other buildings and reducing running costs

- **Enabling more efficient team-working** – working more flexibly within our buildings, through promotion of agile working, and providing modern fit-for-purpose workplaces

- **One Public Estate** – enabling Public Sector providers to collaborate on strategic planning and management of their land and buildings as a collective resource

- **Serving our customers more efficiently –** focusing on what our customers want and need, using better accessible and inclusive facilities to serve them

Actions and Behaviours

In developing our Asset Management objectives, there are certain actions and behaviours that we need to adopt relating to our land and buildings. These are set out below, but not in any particular order of priority. It is accepted that there will be occasions where some of these elements may appear to be in conflict. The key challenge for the Council is to ensure that we maintain an appropriate balance between all of these elements as decisions around land and buildings are made.

OBJECTIVE 1

To plan and manage property as a corporate resource for the benefit of the people of East Sussex

- Recognition that property should be considered a corporate resource and therefore Property will offer guidance with decision-making on service provision matters
- We will ensure effective balance between corporate and service priorities, showing an understanding of our frontline services
- We will work to ensure that property information is accurate, current and comprehensive
- Capital Projects will be managed efficiently and effectively, and prioritised to support the Council's priorities

OBJECTIVE 2

To provide the right places and spaces for the Council to deliver its services aligned to operating principles (strategic commissioning One Council and strong partnerships)

- We will work with services to ensure that property is suitable and sufficient for service delivery
- We will work to ensure that property is flexible and planned to respond to future need
- We will work to ensure that property is secure, safe to use and fulfilling current statutory requirements
- We will work with Districts, Boroughs and other community organisations to optimise the use of assets where most beneficial
- We will ensure that equalities are considered in the development of our asset plans, engaging and consulting with communities

OBJECTIVE 3

To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings

- We will ensure property is suitably managed and maintained within budget constraints
- We will challenge the current use of assets and identify co-location opportunities, to include partners, resulting in rationalisation and disposal of our land and buildings where appropriate
- We will seek efficiencies in occupancy and utilisation and continue to introduce new ways of working
- We will challenge the cost of property activities to drive performance improvement
- We will seek to optimise financial return and commercial opportunities
- We will ensure that property is as sustainable as possible in design, construction, operation and maintenance
- We will reduce energy and water consumption, and CO_2 emissions, using renewable energy where appropriate, to achieve carbon neutrality by 2050
- We will minimise waste through recycling

Page 60

OBJECTIVE 4

To use land and buildings to stimulate development and growth, together with supporting local business needs and encouraging new business to the area

- We will use key assets to stimulate and support regeneration and inward investment
- We will utilise available funding for income generation and to create local employment and training opportunities
- We will manage our commercial portfolio effectively, balancing regeneration needs, job creation and income generation
- We will work with the Districts and Boroughs to identify a future supply of land, suitable for housing and employment needs

OBJECTIVE 5

To promote joint working where it will provide benefit for service delivery and in securing efficiencies

- We will work with other agencies to promote co-location and joint service delivery
- We will work to support the integration of health and social care partners based on understanding their target operating model
- We will work closely with Districts and Boroughs to drive savings and find efficiencies by working together to share opportunities

Asset Management Strategy

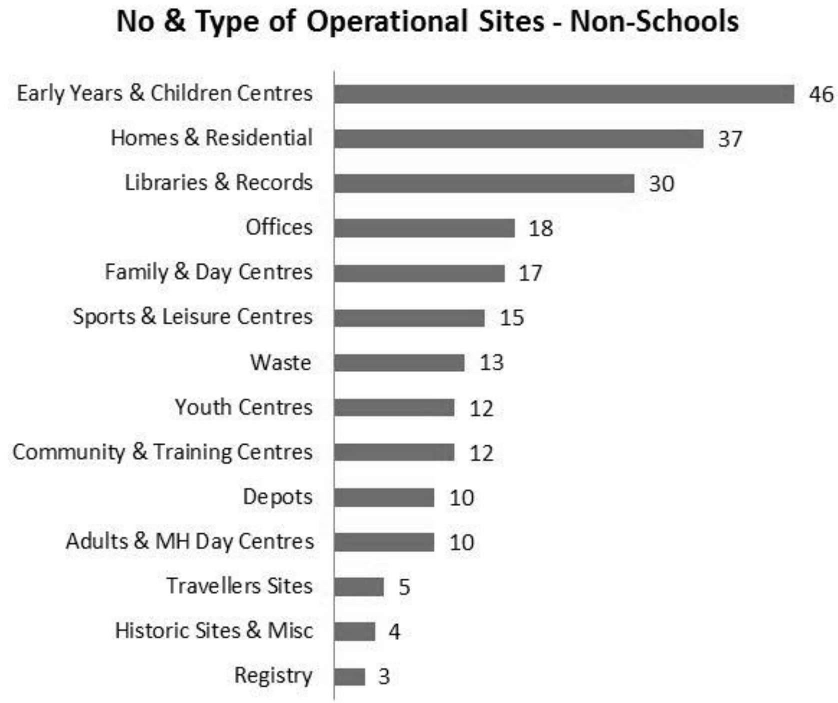
2020-2025

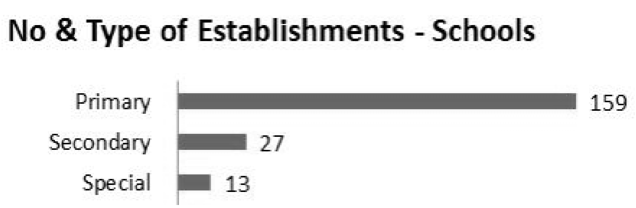
Our Land and Buildings

The Council portfolio comprises a wide range of assets within our current portfolio. It comprises offices, day centres, care facilities, public conveniences, leisure facilities, depots, schools, assets leased to community organisations and even some used to generate a commercial income.

The diagram opposite provides an overview of our property estate by asset type, providing a total number for each type of asset.

The reasons for holding these assets will vary and, as a result, we may need to measure their performance and service delivery in different ways. Performance of each asset must therefore be linked to the strategic purpose for holding it. Assets deliver a mixture of front line services, indirect service provision, and support local communities. These assets must have a purpose and we constantly need to be challenging this.





The Council's property portfolio extends to over 9,000 land and building assets, with a current total book value of over £800 million. This is the amount that is included within the authority's accounts and, whilst is not the exact amount that we would receive if we sold all of our assets, it demonstrates what a considerable resource our land and buildings are, and why they need to be carefully managed.

Without careful management, there is potential to waste money by keeping buildings that are not fit for use or unnecessary.

All assets have a value and if they are no longer required we may sell them with a view to maximising regeneration and GVA.

As the way we deliver services changes, our assets also need to change. We may need to invest in new assets to ensure we provide services fit for the future.

The Council has a duty to manage the risk and assess the impact of statutory regulations on its assets in relation to Asbestos, Accessibility, Fixed Wiring, Legionella, Workplace and Fire Regulation compliance. To ensure that the asset portfolio is compliant with statutory requirements, regular inspection, review and certification of property is undertaken.

The Council continues to extend the corporate landlord model in both the maintenance and day-to-day running of its buildings to maximise value for money and minimise the risk of non-compliance. These processes also ensure that capital works are prioritised appropriately, based on evidence from building condition surveys, and in alignment with operational priorities of those services in occupation.

Additionally, our asset review process ensures that the future of those buildings not providing best value are reviewed appropriately before financial decisions are made on them. The Capital Board provides governance and assurance that money is spent appropriately in the right places.

Our Money

East Sussex County Council has experienced significant funding reductions and we need to make careful choices in where we prioritise the money we spend. While in many cases budgets still remain connected to the service providers, we work closely with them to ensure that funds are spent in the most appropriate manner.

Our energy team for example have generated over £110,000 of savings for East Sussex and its associated partners, by ensuring correct billing and by promoting energy efficiency.

Despite these financial challenges, the Council is committed to supporting the County's economic growth and encouraging job creation and investment through its capital programme. New development plays an important part in this and it is crucial to note that the Council's capital investment attracts further inward investment. This helps the local economy to grow and thrive so that every pound invested by the authority generates a local economic and social benefit well in excess of this initial investment.

The maintenance budget is used to ensure that Council property is fit for purpose and meets current and future service needs.

Any improvements / enhancements must meet set criteria, aligned to the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance of capitalisation of expenditure, extending the usable life of the asset and increasing the extent to which the asset can be used.

Commercial lease renewals and rent reviews are undertaken to maximise the income to the Council from the portfolio and protect the Council's interest.

The Council operates a disposal programme, identifying asset rationalisation and releasing surplus assets in line with the objective to maximise economic and regeneration benefits and through joint working with partners.

Regeneration and Development

The Council plays a prominent role as facilitator of regeneration and development in East Sussex. Current major property investments, within the medium term, include:

- £20m Growing Places Fund (GPF) capital loan funding from SELEP secured for various property and infrastructure developments across the county, with 3 new workspace developments delivered through Sea Change Sussex
    - Havelock Place/Priory Quarter,
    - Glovers House and
    - Pacific House
- Local Growth Fund (LGF) capital grant funding from SELEP towards the development of commercial property, including High Weald House (£7m), Newhaven Eastside South Business Park (£1.6m) and Swallow Business Park (£1.4m), with the latter two having unlocked respectively £6m and £11m of private investment. And in March 2019 additional LGF monies were secured for both Bexhill Enterprise North Business Park (£1.9m) and Sidney Little Business Park (Hastings) of £500k again unlocking respectively a further £19m and £2m private investment.
- Eastbourne's new Beacon Shopping Centre

Our Corporate Landlord Approach

The way we manage our assets is important. We continue to review how our land and buildings are managed as a corporate resource, that the right stakeholders are involved, and that decisions are made in the context of the Council's priorities and objectives.

The concept of a Corporate Landlord Approach is that the ownership of an asset, and the responsibility for its management and maintenance, is transferred from service areas into the corporate centre. The service area then becomes a corporate tenant and their priority is to plan and deliver their service to the best of their ability.

The Corporate Landlord's responsibility extends to the acquisition, development and disposal of land and buildings. This involves asset planning, reviews, feasibility and option appraisal work to support the needs of all service areas, their current and evolving operating models but most importantly, making decisions based on overall corporate priorities.

The Council continues to extend its implementation of the corporate landlord model in the following areas:

- Statutory Compliance of Buildings
- Energy Management
- Management and Commissioning of Repairs and Maintenance
- Facilities Management (in relation to cleaning, catering, security, caretaking and area facilities officers)
- Estates and Valuation Services
- Strategic Asset Management Planning
- Management of the Council's Investment Property

Members' Involvement

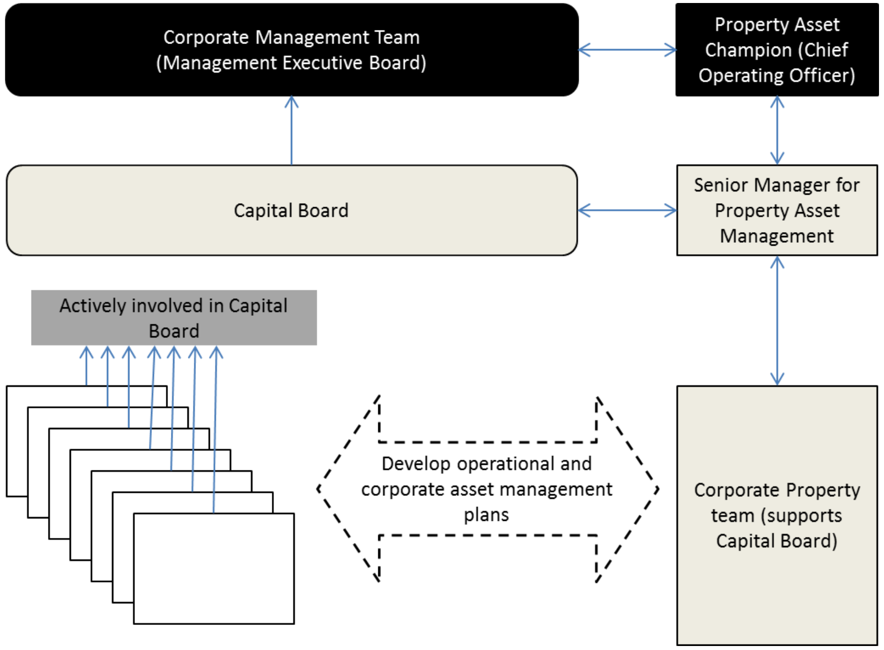
We consult and keep our Members informed of property matters that may impact on their local area. It is recognised that Members add considerable value to these discussions because of their knowledge of the areas and the communities they represent. This ensures that our property strategies reflect the needs of the local populations to whom we provide services.

Our Governance Arrangements

There is a governance structure in place providing direction and transparency of the management of the Council's estate as outlined by the diagram. The corporate property team provides the day to day expertise and support and manages key parts of the Council's property estate (e.g. corporate offices).

The services produce their own Business and service delivery plans which include or require some property provision. Collectively these feed in to the Capital Board chaired by the Chief Operating Officer. This board sets strategy for the Council's assets, receives reports on performance and key projects, and ensures progress is maintained and that resources are made available or prioritized appropriately. Finally the Board's activities and decisions are reported to CMT at a corporate level.

Developing key links across service areas to inform property projects remains key



Measuring our Performance

To measure our assets effectively we need to know how they are performing. We use a number of Key Performance Indicators to report on Targets and the performance of certain aspects of the estate - such as the running costs for the corporate office estate, carbon reduction etc.

The Council is replacing its current property asset management system, and as part of that project seeking to refresh not only the performance reporting capability but enabling a wider offer and experience for Customers and enhanced communications.

These extended reports will support our ability to enhance and challenge :

- Running costs for different types of building
- Energy costs and efficiencies
- Backlog maintenance
- Helpdesk management (volumes of calls/requests)
- Time taken to carry out repairs
- Outstanding repairs by priority
- Planned vs reactive spend
- Management costs

Challenging our Assets

Asset Review is an embedded process, which means that we seek review all of our asset portfolio on a continuous rolling programme, aligned to information from core Services. This ensures that only those assets that are needed are retained. The ultimate aim of Asset Reviews is to reduce cost, optimise utilisation, and identify assets that could be retained for use and/or available for alternate investment. Those assets identified as surplus to requirements can be disposed of.

To do this, each asset is assessed using a step-by-step challenge and review process, ensuring every asset has been fundamentally tested against a common set of criteria.

Strategic Purpose	Opportunities and Risks	Performance Appraisal	Option Appraisal	Pre-Implementation Consultation	Outcome
• Why do we own this asset?	• What are the opportunities for this asset?	• What financial/ non-financial outcomes are delivered?	• Balance of performance, opportunities and risks	• Internal stakeholders	• Retained within portfolio
• Who is accountable for its performance?	• What are the barriers and constraints?	• Can the non-financial outcomes be measured?	• Options available?	• External stakeholders	• Replaced
• Is this financial/non-financial?	• Do we understand the risks?	• What are the management costs?	• What are the relative costs and benefits of these options?	• Partners	• Remodel • Re-use
• How do we know it is fulfilling its purpose?	• Is risk transfer an opportunity?	• Any other invisible costs?	• Do any options carry super risk?		• Dispose (sell/transfer)

Maintaining our Assets

Maintenance and statutory liabilities are ever-increasing, with an annual spend of around £15 million. Our overall strategy is to ensure that the Council's limited maintenance resources are prioritised to appropriate buildings, where the money is needed most.

We identify these priorities by conducting a rolling programme of condition surveys which aims to understand maintenance requirements over a period of 10 years, with aspirations to complete lifecycle condition surveys on selected assets to cover a period of 25 years.

This work enables a better-informed decision-making approach to maximise efficiencies - by planning over a longer time horizon, instead of reacting to emergencies as they happen.

Our four key aims for Building Maintenance are:

- To ensure our Buildings are safe and secure for the people who use them
- To allocate funding to projects that will achieve the maximum positive impact
- To achieve an efficient balance between planned and reactive maintenance work
- Achieving maximum efficiencies in the way we procure and deliver building maintenance work

Working with Partners

Local authorities and other public sector agencies continue to face unprecedented financial challenge. In order to meet these challenges, and both maintain and improve core public services, it is essential that agencies work together to share assets and property services, and leverage work to procure services and capital investment through combined buying power. In addition, working strategically with partners ensures we learn from our common experience and share best practice.

Strategic Property Asset Collaboration in East Sussex (SPACES) is a 10 year property collaboration programme (2013-23) consisting of a wide range of public and voluntary sector partners working together to achieve a shared vision. It sits squarely within the "One Public Estate" agenda .

It aims to leverage and add value through a shared approach to asset management, to reduce costs, generate capital receipts by seeking opportunities to co-locate and collaborate whilst supporting locality based and economic activity through property sharing and service alignment.

The County Council has seconded a Programme Manager, to enable the co-ordination of activities and initiatives. SPACES targets to be achieved between the partner organisations, are:

- £10 million reduction in revenue cost of property assets
- £30 million in capital receipts through the disposal of property
- Reduction in carbon emissions by 10,000 tonnes

Engaging with our Communities

Local people are often best placed to manage community facilities in their area. They already make extensive use of these assets and their local knowledge, and hands-on management, often results in lower overheads and better value-for-money. Community organisations also use volunteers and take great pride in their local area.

We have more than 200 properties leased or licenced to voluntary and community organisations, often at reduced or minimal rents, or preferential terms. We have also transferred buildings to local organisations who run them successfully for the benefit of their local communities. These arrangements range from short-term licences to long leases, and this process is known as 'Community Asset Transfer' (CAT).

The Council supports the principle for "meanwhile use" of assets for community benefit to unlock and use the resilience and commitment of local communities to help people help themselves.

Meanwhile uses can assist us to reduce management of risk, and costs, across any vacant, or under utilized property. In addition they can support maintenance issues and assist to ensure compliance with insurance policy matters. In addition, vacant properties offer little to local economies and present a risk through vandalism.

Whatever the mechanism we are fully committed to using our assets to form long-term partnerships with suitable community organisations, to create stronger, more cohesive and more sustainable communities.

Supporting our Service Areas

In support of service areas across the Council and external partners, the strategy will enable and facilitate service transformation by maximising the use of assets across the Public Sector. Examples of these include:

Health and Social Care: The linking of Health and Social Care has resulted in the Council and Public Sector partners examining how these services are accessed and delivered, alongside the effectiveness of different facilities. We are looking at a more modern approach, providing us with opportunities to re-assess the use and occupation of associated property in alignment with asset rationalisation.

Youth Offending Team and Looked After Children Service: Relocation of the services from their existing premises into appropriate locations to release valuable assets for disposal.

Community Associations – engagement: Engagement with Community Associations to support them in maintaining provision of activities at Council-owned centres. Dialogue has been maintained with Community Associations and we are looking at providing more flexible lease arrangements, certainty of occupation and restructuring Council charges, where we can, to Community Associations to address some of the issues raised.

Asset Management Action Plans

2020-2025

A. Strategic

B. Operational

C. Service Improvement

STRATEGIC				Key Milestones			
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2019-20	2020-21	2021-22	Accountability
A1	Review of investment Strategy - including Acquisitions, Investments and Disinvestments	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	By 31 March 2020 implement a strategy to provide a consistent approach to disposal of assets By 31 March 2021 to take forward identified commercial opportunities	Develop Investment principles and Strategy for the future of identified assets (concluded)	To take forward Option appraisals on identified assets		Head of Property Capital Board
A2	Review and development of Corporate office strategy for core office buildings	To provide the right places and spaces to deliver services aligned to operating principles: Strategic Commissioning; One Council; Strong Partnerships	By 31st July 2020 to have CMT approval on strategic actions for the corporate office estate for period 2020-2025	Engage with consultant to develop options appraisal for core buildings and alternative provision CMT report delivered (concluded)	Achieve Cabinet sign off to the delivery of new corporate offices and undertake key stakeholder workshops Begin negotiations with landlords in E'bourne and Hastings	Procure and programme for implementing approved office strategy	Corporate property Capital Board
A3	Review and improve Community Asset Transfer Strategy (CAT)	To plan and manage property as a corporate resource for the benefit of the people of the ES	By 31 March 2020 modernise the current CAT Strategy	Review the existing CAT strategy (in consultation with community organisations) to streamline and improve the process	Embed CAT within investment strategy		Capital Board

STRATEGIC					Key Milestones		
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2019-20	2020-21	2021-22	Accountability
A4	Disposals Strategy and Programme Management	To plan and manage property as a corporate resource for the benefit of the people of East Sussex	Implement and embed a strategy to provide a consistent approach to disposal of assets and deliver annual receipt targets by each 31 March	Develop a fit-for-purpose Disposals Strategy, implementing the performance and programme management arrangements to support it	Develop a corporate wide review of Directorate and Service plans		Head of Property Capital Board
A5	Property Asset Management System	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	To have identified a preferred supplier for new PAMS and signed contracts by 29 September 2020	Develop business case and seek sign off by CMT	Identify preferred supplier and engage on implementation programme and embed new processes in property team and other users e.g. schools and contractors	Switch off current Atrium system and rely solely on new PAMS	Corporate Property S151 Officer
A6	Review of performance regime (links to PAMS)	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	By 31 July 2020 agree a suite of asset performance metrics for presentation to Capital Board	To agree new suite of asset performance metrics	Implement performance reporting on quarterly basis to Capital Board		Corporate Property Capital Board

STRATEGIC				Key Milestones			
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2019-20	2020-21	2021-22	Accountability
A7	Review contribution of assets to the Economic Development Agenda	To use land and buildings to stimulate development and growth, together with supporting local business needs and encouraging new business to the area	By 31 January 2020 formalise engagement with Economic Development in identifying how assets can influence and be a catalyst for change	Identify key opportunities and formulate a route for dialogue and collaboration with Economic Development	Agree basis for joint working and governance of projects		Corporate Property Economic Development
A8	Development of service property strategies and Service Level Agreement	To manage and maintain property efficiently and sustainably	By 30 June 2020 identify service requirements strategy for 1-3 years	Undertake initial stakeholder engagement with assistant directors Review governance	Prepare programme and support corporate asset management group model		Corporate Property
A9	Review Forward Plan of Procurement activities to support the Property Service	To plan and manage property as a corporate resource for the benefit of the people of East Sussex	By 31 March 2020 to have an agreed Forward Plan of key requirements	Prepare programme of support needed for , and aligned to, Business Plan with resourcing to support all strategic procurement activities	Manage programmes arising notably audit, Hard FM, PAMS	Manage programmes arising notably Consultants and Contractor Framework activities	Corporate Property S151 Officer Orbis Procurement

OPERATIONAL					Key Milestones		
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2019-20	2020-21	2021-22	Accountability
B1	Assets Data and information systems Integration	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	By 30 September 2020 new PAMS will be fully operational, enabling access to live asset performance data		Complete the data cleanse and validation of SAM assets data Implement full reporting capability	Embed performance reports in quarterly reporting to Capital and Strategic Asset Board	Corporate Property Capital Board
B2	Schools Capital Programme	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	By 31 March 2020 identify schemes, commission works and manage delivery of prioritised statutory and maintenance requirements for Schools	Manage and report on 2019/20 Schools Capital Programme Prepare capital funding requests for 2020/21 programme	Manage and report on 2020/21 Schools Capital Programme Prepare capital funding requests for 2021/22 programme	Manage and report on 2021/22 Schools Capital Programme Prepare capital funding requests for 2022/23 programme (subject to academy conversion)	Corporate Property Capital Board S151 Officer
B3	Statutory Compliance function (cyclical maintenance, Fire, Asbestos, Legionella)	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	By 31 June 2020 ensure compliance with all building related statutory regulations and prepare planned programme of works	Recruitment of a dedicated Fire Safety Officer in the Corporate Property Service structure Ensure new PAMS incorporates all asset compliance data into a single source to support planned programme (aligned to B5)	Quarterly and Monthly Statutory Compliance Programme report with exceptions alert		Corporate Property Capital Board Legal team

OPERATIONAL				Key Milestones			
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2019-20	2020-21	2021-22	Accountability
B4	Commercial Estate Management	To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities	By 31 March 2021 maximise occupancy and income through timely lease renewals, rent reviews, Service Charges and management of debt, alongside a review of assets leased-in.	Review leases (incl service charges) and rent reviews due in 2019/20. Work with tenants and Debt Management to reduce debt levels. Commence quarterly performance reporting of the Commercial Portfolio	Review leases, s/c and rent reviews due in 2020/2. Identify investment and disinvestment to maximise income and reduce cost	Review leases (including service charges) and rent reviews due in 2021/22	Corporate Property Capital Board
B5	Asset Lifecycle Condition	To plan and manage property as a corporate resource for the benefit of the people of East Sussex	By 31 March 2021 complete Asset Lifecycle Condition Surveys for the retained corporate asset portfolio to enable targeted investment	Identify the priority buildings that would benefit from Asset Lifecycle Condition Survey Ascertain costs and identify funding	To continue further prioritisation of lifecycle condition surveys		Corporate Property
B6	Review of property helpdesk process	To manage and maintain property effectively, efficiently and sustainably, optimising financial return and commercial opportunities	By 31 March 2020 to review helpdesk processes with PAMS and MBOS programmes	Ensure revised processes agreed and implemented and used by internal and external contractor	Implement new platform and mandate new processes for all users of helpdesk		Corporate Property MBOSl Board
B7	Service Leadership Teams engagement	To plan and manage property as a corporate resource for the benefit of the people East Sussex	By 31 March 2020 to embed engagement process through quarterly meetings with corporate property	Move towards transfer of budgets for core property services e.g. statutory compliance testing	Establish protocols and service level agreements to support implementation toward corporate landlord model and align to B8	Complete transfer of all property budgets	Corporate property S151 Officer

OPERATIONAL (CONT)				Key Milestones		
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2019-20	2020-21	2021-22	Accountability
B8	Budget review	To manage and maintain property effectively, efficiently and sustainably, optimising financial return and commercial opportunities	By 30th June 2020 to have completed a review of budgets for property across the Council	To produce a plan for the disaggregation of property budgets and reallocation to central property budget(s)	Complete transfer of all property budgets		Corporate property S151 Officer

SERVICE IMPROVEMENT					Key Milestones		
C1	Corporate Office moves	To provide the right places and spaces for the Council to deliver its services	By June 2020 to produce plan of proposed office moves with budget and resource allocations agreed through Capital Board	Process for agreeing to implement moves as part of a managed project	To have full plan agreed and communicated to stakeholders	To implement office moves against the plan	Corporate Property Capital Board
C2	Corporate landlord advice to service departments	To plan and manage property as a corporate resource for the benefit of the people of ES	By March 2021 to implement monthly action report with recommendations for properties in service departments	Transfer of budgets for statutory compliance	Support service requests aligned to B7 reviews		Corporate Property S151 Officer
C3	Economic Development support	To use land and buildings to stimulate development growth, together with supporting local business needs and encouraging new business	By March 2020 to have completed joint engagement sessions with District, Borough and other public estate	To agree programme of potential projects for regeneration and joint working	To implement phase 1 projects around joint occupation of premises	To implement phase 2 projects around joint occupation of premises	Corporate Property Economic Development

Audit Committee – Work Programme

List of Suggested Potential Future Work Topics		
Issue	**Detail**	**Meeting Date**
Audit Committee Working Groups		
Working Group Title	**Subject area**	**Meeting Dates**
Modernising Back Office Systems (MBOS) Sub Group	Oversight of the MBOS programme	23 November 2022
Training and Development		
Title of Training/Briefing	**Detail**	**Date**
Treasury Management	A briefing on the County Council's Treasury Management function	19 November 2021

Future Committee Agenda Items		Author
Tuesday 29 March 2022		
External Audit Plan 2021/22	This report sets out in detail the work to be carried out by the Council's External Auditors on the Council's accounts for the financial year 2021/22.	Ian Gutsell, Chief Finance Officer & External Auditors
External Audit Plan for East	To consider and comment upon the External Audit Plan for the East Sussex Pension Fund for the financial year 2021/22.	Ian Gutsell, Chief Finance Officer & External Auditors

Sussex Pension Fund 2021/22		
Internal Audit Strategy and Plan	Consideration of the Internal Audit Strategy and Plan for 2022/23	Russell Banks, Chief Internal Auditor/ Nigel Chilcott, Audit Manager
Annual Audit Letter	To consider the Annual Audit letter and fee update from the External Auditor	Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 3, 2021/22 (01/10/21 – 31/12/21)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 3, 2021/22 (01/10/21 – 31/12/21)	Phil Hall, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
8 July 2022		
Assessment of the Corporate Governance Framework and Annual Governance Statement for 2021/22	Sets out an assessment of the effectiveness of the Council's governance arrangements and includes an improvement plan for the coming year, and the annual governance statement (AGS) which will form part of the statement of accounts.	Philip Baker, Assistant Chief Executive

Internal Audit Services Annual Report and Opinion 2021/22	An overall opinion on the Council's framework of internal control, summarises the main audit findings and performance against key indicators (includes Internal Audit Progress reports – Quarter 4, 2021/22, (01/01/22 – 31/03/22).	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Monitoring	Strategic risk monitoring report – Quarter 4, 2021/22 (01/01/22 – 31/03/22)	Phil Hall, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer
23 September 2022		
Review of Annual Governance Report & 2021/22 Statement of Accounts	Report of the external auditors following their audit of the Council's statutory accounts. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
Review of Annual Pension Fund Governance Report & 2021/22 Statement of Accounts	Report of the external auditors following their audit of the Pension Fund. It allows the committee to review the issues raised and assess the management response.	External Auditors/ Ian Gutsell, Chief Finance Officer
Internal Audit Progress Report	Internal Audit Progress report – Quarter 1, 2022/23 (01/04/22 – 30/06/22)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Strategic Risk Management	Strategic risk monitoring report – Quarter 1, 2022/23 (01/04/22 – 30/06/22)	Phil Hall, Chief Operating Officer / Ian Gutsell, Chief Finance Officer
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer

18 November 2022		
Internal Audit Progress Report	Internal Audit Progress report – Quarter 2, 2022/3 (01/07/22 – 30/09/22)	Nigel Chilcott, Audit Manager/Russell Banks, Chief Internal Auditor
Treasury Management	To consider a report on the review of Treasury Management performance for 2021/22 and for outturn for the first six months of 2022/3, including the economic factors affecting performance, the Prudential Indicators and compliance with the limits set within the Treasury Management Strategy before it is presented to Cabinet.	Ian Gutsell, Chief Finance Officer
Property Asset Disposal and Investment Strategy	Consideration of an annual report on the implementation of the Property Asset Disposal and Investment Strategy.	Nigel Brown, AD Property
Committee Work Programme	Discussion of the future reports, agenda items and other work to be undertaken by the Committee.	Democratic Services Officer

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 11

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