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JOINT AUDIT AND STANDARDS COMMITTEE	
DATE:	**MONDAY, 28 NOVEMBER 2022** **10.30 AM**
VENUE:	**KING EDMUND CHAMBER, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH**

Members		
Conservative Sue Ayres James Caston David Muller (Co-Chair) Zac Norman	Independent John Nunn Liberal Democrat Bryn Hurren (Co-Chair) Mike Norris	Green Party Austin Davies Rachel Eburne Green & Labour Alison Owen

A G E N D A

PART 1
MATTERS TO BE CONSIDERED WITH THE PRESS AND PUBLIC PRESENT

Page(s)

1 **SUBSTITUTES AND APOLOGIES**

Any Member attending as an approved substitute to report giving his/her name and the name of the Member being substituted.

2 **DECLARATION OF INTERESTS**

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

3 **JAC/21/35 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 25 JULY 2022** 5 - 10

4 **TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME**

5 **QUESTIONS BY THE PUBLIC**

To consider questions from, and provide answers to, the public in relation to matters which are relevant to the business of the meeting and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

6 **QUESTIONS BY COUNCILLORS**

To consider questions from, and provide answer to, Councillors on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

7 **JAC/21/36 RISK MANAGEMENT IMPROVEMENT** 11 - 36

Report from the Interim Corporate Manager – Strategic Policy, Performance and Insight

8 **JAC/21/37 ANNUAL COMPLAINTS MONITORING REPORT** 37 - 44

Report from the Interim Monitoring Officer

9 **JAC/21/38 HALF YEAR REPORT ON TREASURY MANAGEMENT 2022/23** 45 - 78

Report from the Director – Corporate Resources

10 **JAC/21/39 INTERIM INTERNAL AUDIT REPORT 2022/23** 79 - 90

Report from the Corporate Manager – Internal Audit

11 **JAC/21/40 FORWARD PLAN** 91 - 92

Report from the Corporate Manager – Governance & Civic Office

The date of the next meeting is Monday 30th January 2023 at 10:30 am.

Introduction to Public Meetings

Babergh/Mid Suffolk District Councils are committed to Open Government. The proceedings of this meeting are open to the public, apart from any confidential or exempt items which may have to be considered in the absence of the press and public.

Domestic Arrangements:

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- Cold water is also available outside opposite the room.
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2. Follow the signs directing you to the Fire Exits at each end of the floor.

3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.

4. Use the stairs, not the lifts.

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Agenda Item 3

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Monday, 25 July 2022

PRESENT:

Councillors:	Austin Davies	Rachel Eburne
	Bryn Hurren (Co-Chair)	Dave Muller (Co-Chair)
	Zachary Norman	Mike Norris
	John Nunn	Alison Owen

In attendance:

Officers: John Snell – Corporate Manager Internal Audit
Sue Palmer - Senior Financial Business Partner, Capital & Treasury

Apologies:

Councillor(s) Sue Ayres and James Caston

83 DECLARATION OF INTERESTS

83.1 There were no declarations of interests

84 JAC/21/29 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 29TH NOVEMBER 2021

It was RESOLVED that the minutes of the meeting held on 29th November be signed as a true record.

85 JAC/21/30 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 28 MARCH 2022

It was RESOLVED that the minutes of the meeting held on 28th March be signed as a true record.

86 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

86.1 None received.

87 QUESTIONS BY THE PUBLIC

87.1 None received.

88 QUESTIONS BY COUNCILLORS

88.1 None received.

89 JAC/21/31 ANNUAL INTERNAL AUDIT REPORT 2021/22

89.1 Corporate Manager Internal Audit introduced report JAC/21/31 which provided details of the work undertaken by Internal Audit for the year 2021/22.

89.2 Following a question from Councillor Hurren, the Corporate Manager Internal Audit confirmed that the customer satisfaction surveys referred to in the report were completed by officers of the council.

89.3 Following a question from Councillor Norris regarding the limited assurance given to the planning enforcement audit, the Corporate Manager Internal Audit stated that works had been undertaken and clarification on a couple of points were being sought from the Professional Lead – Growth and Sustainable Planning before the report could be issued in draft form for management response.

89.4 Councillor Eburne asked questions regarding social values considered in audits, budgetary controls in corporate procurement and risk management resource.

89.5 In response to Councillor Eburne’s questions the Corporate Manager Internal audit explained how social values were applied in audits and what works had been undertaken regarding budgetary control. He also explained that an Interim Corporate Manager – Strategic Policy, Performance and Insight was in place, their role included risk management and a full time Risk Management Officer had also been recruited.

89.6 Following further questions from Councillor Eburne the Corporate Manager Internal Audit confirmed that the Budgetary Control work would be detailed in a future report and the Housing health and safety follow up audit has been given an audit opinion of reasonable assurance with the works being undertaken by the relevant housing corporate managers until a new Director for Housing was appointed.

89.7 Councillor Hurren sought reassurance that climate change was being taken seriously, the Corporate Manager Internal Audit stated the audit had been undertaken by the external auditor provider and that an audit opinion of reasonable assurance was given.

89.8 Councillor Eburne asked if there was a framework in place for ethics, the Corporate Manager Internal Audit stated that an holistic approach regarding behaviours and cultures were applied when undertaking audit reviews.

89.9 During the debate Councillors discussed social values and ethic frameworks and the importance of whistle blowing polices and officer awareness of them.

89.10 Councillor Muller PROPOSED the recommendation in the report which was SECONDED by Councillor Hurren

It was RESOLVED that the contents of the Internal Audit Report, supported by Appendix A, be agreed.

90 JAC/21/32 JOINT ANNUAL GOVERNANCE STATEMENT 2021/22

90.1 The Corporate Manager Internal Audit introduced report JAC/21/32 which was a review of both Council's governance arrangements for 2021/22.

90.2 Councillor Eburne asked questions regarding explaining budget setting, out of date information on internal and external communication channels and the communications strategy.

90.3 The Corporate Manager Internal Audit replied that the Director Corporate Resources would be asked for clarification of how the budget setting was explained to the community and the Director Customer Services would be asked to comment on concerns regarding out of date information on Connect and the Website.

90.4 During the debate councillors raised concerns regarding the accuracy of information and inconsistencies in information on the Council's social media channels and sought assurance that changes would be made to the governance statement following comments made in this meeting. The Corporate Manager Internal Audit stated that the relevant officers would be requested to respond to concerns raised and the Annual Governance Statement be amended as appropriate.

90.5 The recommendations in the report were PROPOSED by Councillor Hurren and SECONDED from Councillor Muller.

It was RESOLVED:-

1.1 That Councillors satisfy themselves that the joint Annual Statement (AGS) 2021/22(Appendix A to this report) properly reflects the governance environment and any actions to improve it.

1.2 That subject to 3.1 above, the AGS be endorsed subject to the Assistant Director –Law & Governance and Monitoring Officer being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.

1.3 Further that approval of any significant amendments identified by the Assistant Director – Law & Governance and Monitoring Officer be delegated to her in consultation with the Chairs of this Committee and

the Leaders of each Council.

1.4 That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

91 JAC/21/33 ANNUAL TREASURY MANAGEMENT REPORT - 2021/22

91.1 The Senior Financial Business Partner, Capital & Treasury introduced report JAC/21/33.

91.2 Councillor Hurren asked if the rise in interest rates was detrimental to the Council, The Senior Financial Partner, Capital & Treasury replied that the gap between the interest received and the interest payable was a detriment.

91.3 Councillor Eburne asked why the prudential code was not going to be adopted until 2023/24, how the Cabinet were encouraging fund managers to filter investments in respect of ESG considerations and where the holding companies were scrutinised.

91.4 The Senior Financial Partner, Capital & Treasury replied that the next investment strategy being prepared would be for 2023/24 and the new prudential code would be taken into account, regarding ESG investments are currently in a property fund (valued above its initial investment) and multi asset funds which were below investment value and the position is under constant monitoring and the holding companies were scrutinised by Committee as part of the audit process.

91.5 Councillor Davies asked if more background could be included in the financial tables in future reports and why there were large differences in capital expenditure budgeted and actual figures.

91.6 The Senior Financial Partner, Capital & Treasury clarified that the large differences were caused by delays in the development pipeline and capital programme due to issues around materials and supplies.

91.7 Recommendations 3.1 and 3.2 were PROPOSED by Councillor Muller and SECONDED by Councillor Hurren.

It was RESOLVED:-

1.1 That the treasury management activity for the year 2021/22 as set out in this report and appendices be noted.

1.2 That it be noted that both Councils activity was in accordance with the approved Prudential Indicators for 2021/22.

91.8 Recommendation 3.3 which is for Babergh Council only was PROPOSED by Councillor Nunn and SECONDED by Councillor Norman

1.3 That it be noted that Babergh District Council's treasury management activity for 2021/22 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

91.9 Recommendation 3.4 which is for Mid Suffolk Council only was PROPOSED by Councillor Muller and SECONDED by Councillor Davies

1.4 That it be noted that, except for one occasion when the Council exceeded its investment limits in two of its Money Market Funds by £500k, as mentioned in Appendix C, paragraph 4.1, Mid Suffolk District Council's treasury management activity for 2021/22 was in accordance with the approved Treasury Management Strategy and Treasury Management Indicators for this period.

92 JAC/21/34 FORWARD PLAN

92.1 Councillor Eburne asked if a report on the changes in Commissioning and Procurement could be added to the forward plan.

The business of the meeting was concluded at 11.46 am.

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Chair

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Agenda Item 7

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO:	**Joint Audit and Standards Committee**	**REPORT NUMBER:**	**JAC/21/36**
FROM:	**Cabinet Members For Customer, Digital Transformation And Improvement**	**DATE OF MEETING: 28/11/2022**	
OFFICER:	**Jane Kennedy, Corporate Manager, Policy, Performance, Insight, Risk and Improvement**	**KEY DECISION REF NO. N/a**	

RISK MANAGEMENT IMPROVEMENT

1. PURPOSE OF REPORT

1.1 This report updates members on risk management improvement since responsibility for risk transferred to the Policy, Performance, Insight, Risk and Improvement team in January this year. It seeks JASC views on the draft Risk Management Policy and Strategy which provides a comprehensive framework for ensuring risk is managed effectively, efficiently, and coherently across the Councils.

2. OPTIONS CONSIDERED

2.1 The Councils could have maintained the existing responsibility for risk rather than integrate it with performance and improvement, but it was felt this would not drive the improvement required or maximise the opportunities to join up with a new corporate approach.

3. RECOMMENDATIONS

3.1 That members of the Joint Audit and Standards Committee note the progress so far to improve strategic risk management including the new draft risk management policy and strategy to align with the Orange Book.

REASON FOR DECISION

This Committee is currently responsible for considering the effectiveness of the joint risk management arrangements.

4. KEY INFORMATION

Background

Why is risk management important?

4.1 We are likely to be living with some variant of Covid-19 or a new pandemic disease for the foreseeable future. Other risks are emerging for example, cost of living, energy crisis, digital innovation, cyber-crime, demographic change, and the direct and indirect impacts of climate change.

4.2 Good risk management enables us to deliver the outcomes we have agreed for Babergh and Mid Suffolk. It also improves service delivery and helps to achieve better value for money and demonstrate compliance.

4.3 Risk management enhances strategic planning and prioritisation, assists in achieving outcomes and strengthens our ability to be agile in responding to challenges. It is an essential and integral part of planning and decision-making.

4.4 Without good risk management practice our Councils cannot manage resources effectively. It also helps us to take advantage of the opportunities to improve services or to reduce costs.

4.5 Risk management provides early warning on key / emerging matters to enable transparent, timely decision-making and intervention at appropriate levels, it improves decision-making allowing intelligent 'informed' risk-taking, helps to prioritise, protect assets, people and the Council's reputation, supports consistent good governance and internal control and allows better informed financial decision-making leading to greater financial and budget control.

External opinion on our risk approach

4.6 In April 2021, our external audit partners, TIAA undertook a review of our strategic risk management arrangements. They identified some good practice in our risk management framework and made several recommendations to improve.

4.7 TIAA identified the good practice as: all risks in the Strategic Risk Register (SRR) have risk owners, Cabinet member leads, mitigation actions and all other areas of the SRR was completed. Risks in the SRR include the original, current and target risk scores. The SRR is structured so risks are articulated in terms of cause, risk and consequence. Mitigations are included along with further actions necessary to reduce the risk.

4.8 In March 2022, the Councils also received feedback on our approach to risk management in the LGA Corporate Peer Challenge report. One of their recommendations was to revisit the risk management strategy and "bring it to life" to ensure a more effective corporate approach to risk including financial risk.

4.9 TIAA recommended the Councils review their risk management strategy to include how the SRR links to the Council's Objectives. The LGA also made this recommendation to review the risk strategy and include review, moderation, and approval process for new risks for both the SRR and the Departmental Risk Registers, how we address programme risk and embed our work on risk appetite. The risk management strategy and policy is now revised and is attached for comment and will be taken to both Cabinets in January 2023.

4.10 TIAA asked us to consider the latest guidance for risk appetite and to set out more specific tolerance levels within the risk management strategy for each type of risk. We have now established specific tolerances for each of the risk types identified in the Orange Book and worked with SLT to develop detailed tolerances that we have tested with both Cabinets. These have been embedded into the SRR.

4.11 TIAA recommended we embed sources of assurance in the SRR and reflect those in the Risk Management Strategy. Sources of assurance are now included for each of the strategic risks and sources of assurance are noted as a necessary component of risk treatment in the risk strategy.

4.12 TIAA recommended we review significant risks where they have met their 'Target Risk', to decide if they can be de-escalated or closed. This has been completed for the Strategic Risk Register and is part of the quarterly review process with SLT.

4.13 TIAA asked us to be more specific with planned completion dates to make it easier for SLT and Members to monitor and understand any gaps between the current and target scores. These dates are now built into the SRR and are monitored as part of the quarterly review process with SLT and are included in the risk register attached to this report.

An holistic approach to risk management

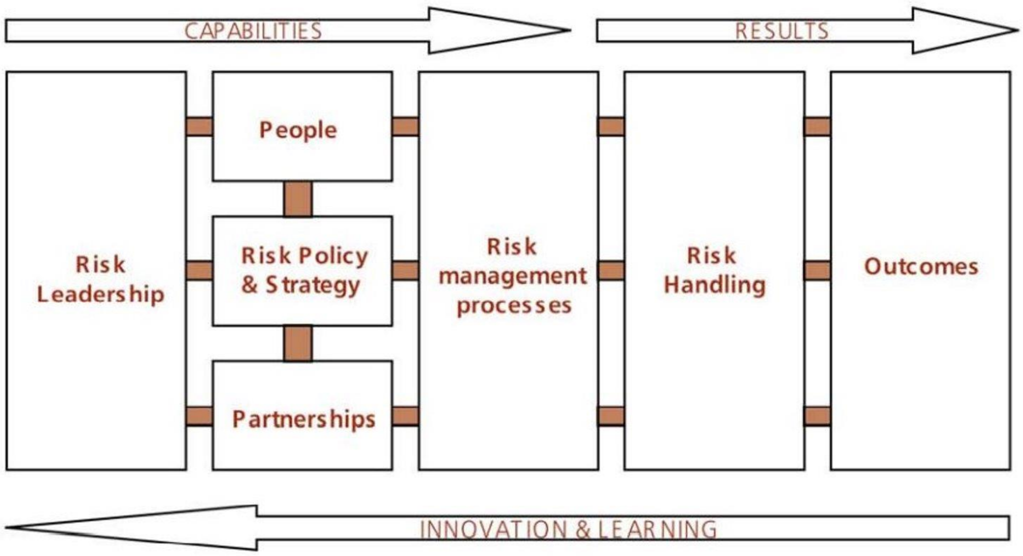
4.14 In addition to the TIAA report and the LGA CPC report driving improvement, as part of the new Outcomes Framework agreed by both Cabinets in January 2022, we also committed to integrating performance and strategic risk management. This led to a decision to bring strategic risk management into the newly formed Corporate Centre.

4.15 In January 2022 following risk management moving to Policy, Performance, Insight, Risk and Improvement from Audit, SLT agreed to adopt a whole systems approach to risk management, known as the Orange Book (see Figure 1). This central government approach integrates risk with our outcomes and will help us to improve the culture and leadership of risk management across the Councils.

4.16 Also, in January 2022 we updated the SRR to reflect the recommendations of our audit partner, significantly reducing the number of risks and adding new ones. We also reset quarterly reporting on the risk register to SLT.

4.17 Since then, we worked with SLT to develop detailed risk appetites for the 13 types of risk identified in the Orange Book and in Spring 2022 held joint workshops with SLT and Cabinets to test these for both Councils at a high level. Risk appetite is also discussed in the revised risk management strategy and will also inform improvement work to embed risk into our services and programmes.

Figure 1 – Whole systems view of risk taken from the Orange Book.



4.18 Our work on risk appetites was done using the five levels of risk appetite identified in the Orange Book:

Averse - Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.

Minimalist - Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.

Cautious - Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.

Open - willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.

Eager - Eager to innovate and choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

4.19 Understanding risk appetite results in improved organisational health to help prioritise and allocate resources to where they are most needed to manage risks, achieve our outcomes, and demonstrate value for money.

4.20 This risk improvement programme is being led by the new Risk Management Lead in PPIRI who is driving this plan through a process of change management to achieve the organisational objectives, maintain the commitment of stakeholders, both during and after implementation, to embed the Orange Book and associated risk culture across the Councils and work with performance colleagues to integrate risk and performance reporting using the agreed outcomes framework.

5. LINKS TO CORPORATE PLAN

5.1 This holistic approach to risk management links across all aspects of the corporate plan and the strategic framework.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications to this report.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications to this report.

8. RISK MANAGEMENT

8.1 Achieving a whole systems approach to risk management across the councils will need support and leadership across the whole organisation. There is significant work to do to embed risk across all operational delivery, and programmes and for staff at all levels to see the business benefits of this approach is a significant cultural change that will need effective management.

9. CONSULTATIONS

9.1 Cllrs Suzie Morley, John Ward and Alastair McCraw have been consulted on this report as Leaders or Portfolio Leaders. Members of SLT have agreed the risk improvement priorities and the draft risk management strategy and policy. The Strategy has been presented at Joint Cabinet and well received.

10. EQUALITY ANALYSIS

10.1 An Equality Impact Assessment is not required for this report.

11. ENVIRONMENTAL IMPLICATIONS

11.1 None

12. APPENDICES

12.1 Appendix 1 – Draft Risk Management Policy and Strategy 2022-2025 @October 2022

13. BACKGROUND DOCUMENTS

13.1 The Government's Orange Book - Source: PU829 - Risk Management assessment framework: a tool for departments (publishing.service.gov.uk).

14. REPORT AUTHORS

14.1 Dr Jane Kennedy, Corporate Manager Policy, Performance, Risk, Insight and Improvement and Tereza Fairbairn, Risk Management Lead.

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Risk Management Policy and Strategy

2022-2025

Document Control

Reference	Risk Management Policy and Strategy 2022-2025
Date	October 2022
Author	Risk Management Lead – Tereza Fairbairn Corporate Manager, Policy, Performance, Insight, Risk, and Improvement – Dr Jane Kennedy
Approved by	Senior Leadership Team – pending approval Joint Audit and Standards Committee – pending approval Babergh Cabinet – pending approval Mid Suffolk Cabinet – pending approval

Version History

Date	Version Number	Revision Notes
October 2022	1.2	New Risk Management Strategy

Contents

1 Policy Statement

2 Our Strategic Approach

3 Risk Management Principles

4 Risk Appetite and Tolerance

5 Risk Management Levels

6 Escalation and De-escalation of Risks

7 Risk Management Process

8 Risk Matrix and Scoring Criteria

9 Risk Register System

10 Roles and Responsibilities

11 Guidance, Education and Training

12 Continuous Improvement

13 Review

1. **Policy Statement**

Risk management is the process by which Babergh and Mid Suffolk Councils consider uncertainty that poses the risk of an adverse effect on the community and its constituents, and an integral part of the Councils' activities when supporting decision making in achieving objectives. The development of a positive risk culture embraces openness, supports transparency, welcomes constructive challenge, and promotes collaboration, consultation, co-operation, and continual improvement.

By operating a robust risk management process, the Councils can:

- Improve governance, stakeholder confidence and trust;
- Set strategy and plans through informed decision making;
- Evaluate options and deliver programmes, projects, and policy initiatives;
- Prioritise and manage resources;
- Support efficient and effective operations;
- Manage performance, resources and assets; and
- Deliver goals and improved outcomes.

This strategy has drawn on guidance from: The Orange Book, Management of Risk - Principles and Concepts (HM Government, 2020), providing a comprehensive framework ensuring risk is managed effectively, efficiently, and coherently across the Councils.

This approach supports the consistent and robust identification and management of opportunities and risks within desired levels, across both Councils supporting openness, challenge, innovation, and excellence in the achievement of outcomes.

It is the role of the Policy, Performance, Insight, Risk, and Improvement team acting for both Councils to provide support, guidance, professional advice and the necessary tools and techniques to enable the Councils to take control of the risks that threaten delivery and maximise opportunities. The role of the team is also to provide a level of challenge and scrutiny to the risk owners. The work of the team will be directed to affect the achievement of the following risk management objectives:

- Align the Councils' culture with the risk management framework;

- Integrate and embed the risk management framework across both Councils;
- Enable the Councils to recognise and manage the risks they face;
- Minimise the cost of risk;
- Anticipate and respond to emerging risks, internal & external influences, and a changing operating environment; and
- Implement a consistent method of measuring risk.

The Councils are clear the responsibility for managing risk belongs to everyone and there needs to be an appropriate level of understanding of the nature of risk by all stakeholders supported by a positive risk culture.

As a corporate body, the Councils must protect their material assets and to minimise losses and liabilities. They recognise the need to equip their workforce with the skills and expertise to manage risk on their behalf and provide the necessary resources to ensure this can be delivered.

The Councils' risk management objectives are a long-term commitment, inherent to good governance practices and fully supported by the Senior Leadership Team (SLT), both Babergh and Mid Suffolk Cabinets and the Joint Audit and Standards Committee.

2. Our Strategic Approach

Led by the SLT but with responsibility assigned through all levels of the Councils' structure, risk management is integrated into the strategic planning and prioritisation of the Councils to assist in achieving outcomes and strengthening their ability to be agile in responding to the challenges they face. This is an essential and integral part of meeting objectives successfully, improving service delivery and achieving value for money.

Babergh and Mid Suffolk District Councils achieve successful risk management through guidance from the HM Government Orange Book – Management of Risk – Principles and Concepts (2020), within a setting of strong governance and leadership and integrating risk management across their organisational activities to support decision making in achieving their Outcomes Framework. The Councils ensure risk management is collaborative and informed, using the best information and expertise available to them, supported by a strong risk management process and programme of continuous improvement.

The Councils support a Three Lines of Defence Model with everyone within the Councils having some responsibility for risk management.

The Cabinets and the SLT focus on strategic and business critical risks that may impact on the achievement or successful delivery of outcomes. Operational, programme and company risks are the primary concern of the services, change boards, and company boards respectively, who control and monitor their risks, escalating to the strategic level if they are no longer manageable at the functional level.

Identified key risks and mitigations are managed through the Councils' Strategic risk register and regularly discussed, reviewed, and updated. Frequent risk reporting takes place across all levels of the organisation. This constitutes the First Line of Defence.

The Second Line of Defence is defined by the Policy, Performance, Insight, Risk, and Improvement team including the Risk Management Lead who oversee and specialise in risk management.

The Third Line of Defence is Internal Audit who can provide an objective evaluation of the adequacy and effectiveness of the framework, governance, risk management and control when necessary.

3. Risk Management Principles

The HM Government Orange Book (2020) risk management principles adopted by Babergh and Mid Suffolk Councils state:

- Risk management shall be an essential part of governance and leadership, and fundamental to how the Councils are directed, managed, and controlled at all levels;
- Risk management shall be an integral part of all Council activities to support decision making in achieving objectives;
- Risk management shall be collaborative and informed by the best available information and expertise;
- Risk management processes shall be structured to include:
    - Risk identification and assessment to determine and prioritise how the risks should be managed;
    - The selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level;

- The design and operation of integrated, insightful, and informative risk monitoring; and
- Timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

- Risk management shall be continually improved through learning and experience.

Risk Management Framework

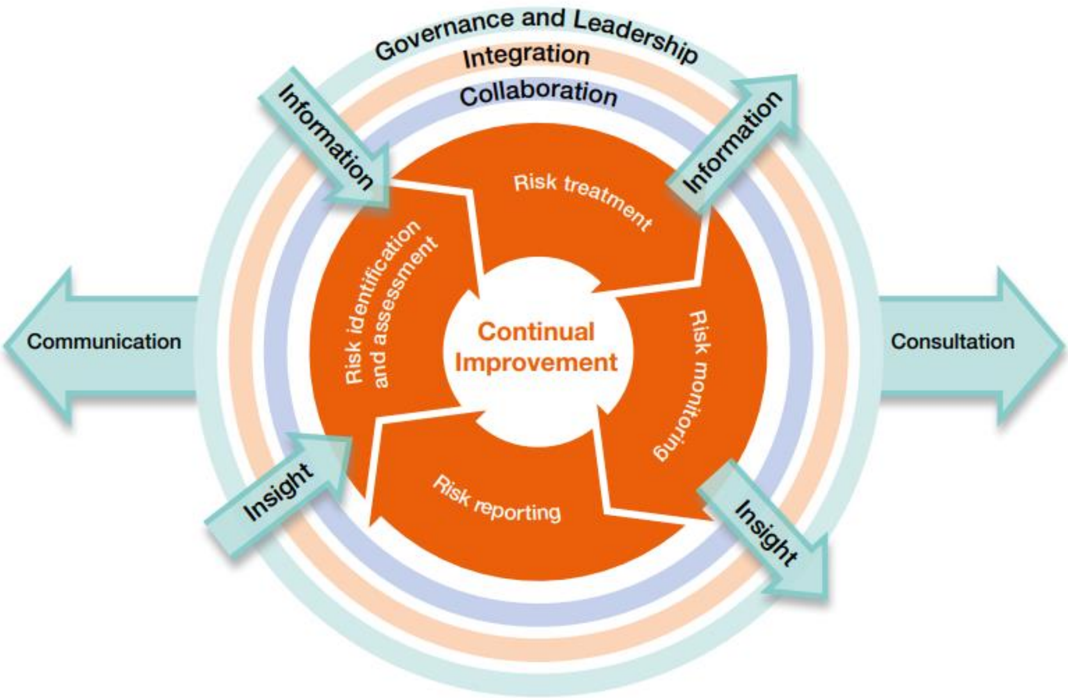

Fig. 1 (HM Government, The Orange Book, Management of Risk – Principles and Concepts, 2020)

4. Risk Appetite and Tolerance

Babergh and Mid Suffolk District Councils recognise that risk is inherent in delivering and commissioning services. The Councils' aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery and securing of value for money.

The Councils do not seek to avoid all risk, but the acceptance of risk is subject to ensuring that potential benefits and risks are fully explored and that appropriate measures to mitigate risk are established before decisions are made. The Councils recognise that the appetite for risk will vary according to the activity undertaken and the ability to exercise controls and hence different appetites and tolerances to risk will apply. The SLT undertake an annual review of risk appetite across the thirteen risk categories defined by the Orange Book. These appetites are referred to when considering the planned treatment of a particular risk.

Referring to our Values and considering our people and customers, being transparent, accepting ownership and being ambitious, also helps us to consider our appetite and tolerance for any given risk. Risks defined as ‘high’ will be managed down to a tolerable and targeted level wherever possible, however, it is important that risks across the Councils are not over-controlled.

Our work on risk appetites uses the five levels of risk appetite identified in the Orange Book:

Averse - Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.

Minimalist - Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.

Cautious - Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.

Open - willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.

Eager - Eager to innovate and choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Risk appetite and tolerance is considered with reference to strategic outcomes and service delivery in each area. Risks that would be seen to be unacceptable would be those that would breach law and regulatory compliance, would adversely impact the safety of our service users, residents, or employees, would critically damage the reputation of the Councils, risk future operations of the Councils or negatively impact their financial resilience.

The Councils' appetite for risk also reflects the diverse types of risk that could impact on the Councils' ability to meet its statutory requirements and strategic outcomes, and are described in more detail below:

Strategic risks - identifying and pursuing a strategy, which is poorly defined, based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to external changes.

Governance risks - unclear plans, priorities, and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance, political risks.

Operational risks - Inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.

Legal risks - claims being made or some other legal liability or other loss, or a failure to respond appropriately to meet legal or regulatory requirements or to protect assets (for example, intellectual property).

Property risks - property deficiencies or poorly designed or ineffective safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.

Financial risks - not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.

Commercial risks - weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in deficient performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.

People risks – ineffective leadership and engagement, poor culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.

Technology risks - technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.

Information risks - failure to produce robust, suitable, and appropriate data/information and to exploit data/information to its full potential.

Security risks - failure to prevent unauthorised and/or inappropriate access to key systems and assets, including people, platforms, information, and resources. This includes cyber security.

Project/Programme risks - change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.

Reputational risks - adverse events, systemic or repeated failures or inferior quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

5. Risk Management Levels

Babergh and Mid Suffolk District Councils' approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the organisation.

Service Level: The day-to-day management activities provide reasonable assurance that the main tactical and operational risks arising from service areas are identified, assessed, treated, monitored, and reported through the service plan risk registers. Close links between the Directors, Service Managers and the Risk Management Lead strengthen the process and ensure consistency of risk management delivered within and across the services.

Programme/Project Level: The identification of risks from the initial business case stage in a programme/project and continued risk management throughout the programme/project lifecycle ensures deliveries are achieved. Programme and Project Managers are supported by the Risk Management Lead to ensure risk management delivered is aligned to the service and strategic levels for escalation purposes.

Company Level: The Councils as shareholders of the Babergh and Mid Suffolk District Councils Holding Companies have ultimate oversight of risk management for all Council Companies, however the Companies by virtue of their articles and governance process are responsible for the management of operational risk and the Companies Risk Panel meets each quarter to review their risks. Company risks are reflected on the Strategic risk register where required.

Leadership/Strategic Level: The highest level of risk is managed at Senior Leadership Level. A risk report and the Strategic risk register detailing business critical risks are reviewed quarterly by the SLT and the Risk Management Lead. This level sets the tone for effective risk management across the whole organisation. At Joint Audit and Standards Committee, the risk management strategy is agreed, and its principles championed by the SLT.

6. Escalation and De-escalation of Risks

Strategic risks are those where there is the probability that an event will interfere with the Councils' business model. If a single risk or group of risks meet the escalation criteria below, then the risk/s should be escalated to the SLT and the Risk Management Lead. The risk owner will initially be responsible for either deciding on a course of action or escalating the information further up the process to a senior level if:

- the risk becomes too unwieldy to manage at the current level;
- the risk rating cannot be controlled/managed within its current level;
- the risk remains extremely high even after mitigations are implemented;
- the risk will impact on more than one service/project if the risk event materialises;
- instinct tells the owner it is out of their control; and/or
- the risk moves outside the appetite boundaries.

Similarly, risk owners should consider de-escalation where a risk or set of risks become operational and related to process or transactions and meet the de-escalation criteria below:

- the risk can be controlled/managed at the Service, Programme or Company level;
- the risk scoring meets its' target or decreases significantly; and/or
- the risk event will only affect one Service area / team and the impact will be limited.

Escalation/De-escalation Process

If risk owners identify that a risk or group of risks need to be moved because they fit into one of the criteria above, they should initially seek the advice of the Risk Management Lead regarding moving the risk. If a risk is multi service or organisation wide the risk owner should consult with other relevant parties before recommending a change of level.

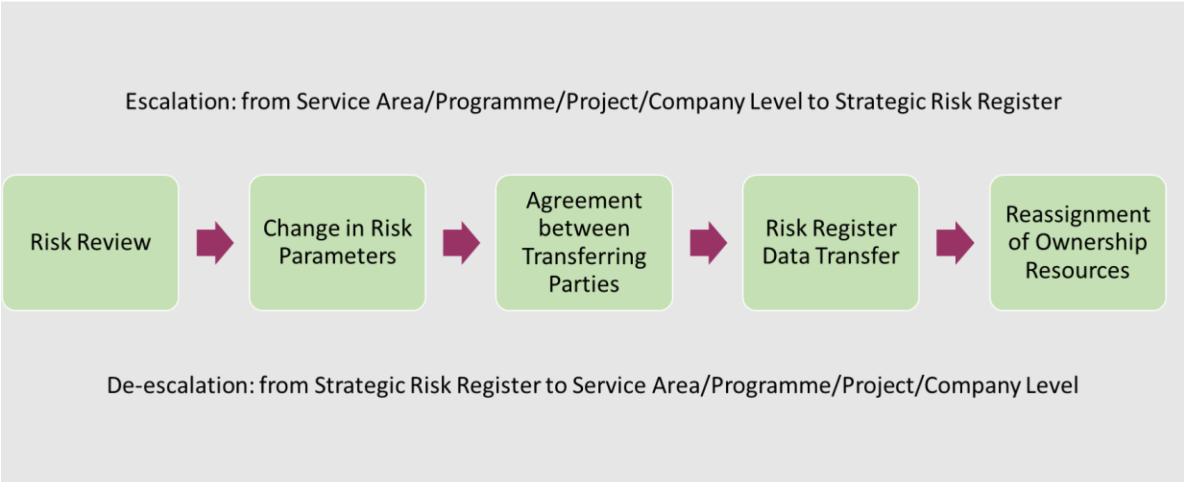

Fig. 2 Escalation and De-escalation Process for Risks

7. Risk Management Process

The risk management process follows defined steps whereby:

- Risks are identified and assessed to determine and prioritise how they should be managed;
- Treatment options are selected, designed, and implemented to support the achievement of intended outcomes and manage risks to an acceptable level;
- Integrated, insightful and informative risk monitoring is implemented; and
- Timely, accurate and useful risk reporting is applied to enhance the quality of decision-making and to support the SLT and the Councils in meeting their responsibilities.

Fig. 3 (HM Government, The Orange Book, Management of Risk – Principles and Concepts, 2020)

Whilst the risk management process is represented as sequential, it may in practice be iterative.

Risk identification and assessment

New and emerging risks are identified whilst considering, changing internal or external events, tangible and intangible sources of risk, uncertainties and assumptions, and limitations and reliability of information. New risk identification needs to be agile and may be ad hoc at Service or SLT level, or through regular risk meetings. New risks are discussed between members of the Extended or Senior Leadership Teams and the Risk Management Lead, to agree reporting either at operational or strategic level.

For strategic level risks, the Risk Management Lead works with the identified risk owner to register the risk. New operational risks will be embedded within the Service risk registers by the Service Managers and reported monthly through Directorate risk discussions. New strategic risks are reported to the SLT by the Risk Management Lead immediately. Emerging strategic risks are reported to the SLT by the Risk Management Lead through the quarterly risk report.

Risk treatment

Each risk has a considered risk treatment known as a ‘mitigation plan’ applied. This planning considers risk appetite, in addition to expected benefits, proposed actions, nomination of those responsible for owning and implementing the mitigation activity, resource requirements, sources of assurance, key performance indicators and control indicators, constraints, and a planned date for when the action is expected to be resolved.

Risk monitoring
Ongoing monitoring before, during and following implementation of the risk treatment supports the Councils' understanding of how the risk profile is changing to provide assurance over the management of risks to an achievable level in the achievement of the Outcomes Framework. Recording and reporting transparently communicates management activities and outcomes across the organisation, provides information for decision making improving risk management activities and ensures interaction with all stakeholders including those responsible and accountable for risk management activities.

Risk reporting
On an ongoing basis Committee Report risks are circled back to the relevant risk registers to ensure report risks cited are captured and being actively mitigated.

Service risk registers are maintained and reviewed monthly by the Extended Leadership Team to discuss directorate risks.

Through the monthly meetings, Directors are equipped to escalate risks to the Strategic risk register and receive risks de-escalated from the Strategic risk register via the quarterly SLT risk meeting. A quarterly briefing to Cabinet details priority strategic risks and risk management, aligned to performance and finance reporting, which is supported by monthly Portfolio Holder meetings.

Annually there is a risk assurance briefing and review of current risk management strategy to the Joint Audit and Standards Committee.

Programmes/Projects manage risk through a model of risk, assumptions, issues, and dependencies which are reviewed by the Change Board of the programme of work.

The Companies review their risk at a quarterly Companies Risk Panel.

8. Risk Matrix and Scoring Criteria

Babergh and Mid Suffolk District Councils use the following risk matrix to evaluate risks to understand the level of risk exposure. This influences the level of risk treatment applied to manage/reduce/prevent the risk from occurring.

Ensuring that all business risks are assessed and managed through the adopted risk management methodology drives consistency through the risk management framework and enables risks to be compared and reported on against a like for like basis. It also provides the Councils with the ability to map their collective risk exposure of a particular activity, objective, outcome, function(s), or indeed whole Councils' operation.

Impact/Consequence						
	Disaster	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)
	Bad/Serious	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)
	Noticeable /Minor	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)
	Minimal	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
			1	2	3	4
			Highly Unlikely	Unlikely	Probable	Highly Probable
			Likelihood/Probability			

Likelihood/Probability

1	Highly Unlikely	Less than 25% Has never occurred before Would only happen in exceptional circumstances
2	Unlikely	26% - 50% Not expected to occur but potential exists Has occurred once in the last ten years
3	Probable	51% - 75% May occur occasionally Has occurred within the last 5 years Reasonable chance of occurring again
4	Highly probable	Over 76% Expected to occur Occurs regularly or frequently

Impact/Consequence

		Finance	Compliance	Safety	Service Delivery	Reputation
1	Minimal	Minor loss <£5,000	Small, single non-compliance	No harm to persons /community	Very minor disruption (less than 1 day)	No noticeable media interest
2	Noticeable / Minor	Moderate loss £5,001 – £50,000	Sustained single or few short-term non-compliance	Potential for ill-health, injury, or equipment damage	Some service disruption, (more than one day)	Local media coverage

3	Bad / Serious	Significant loss £50,101 – £250,000	Multiple sustained non-compliance	Potential for serious harm or injury (non-life threatening)	Critical service disruption (statutory services not delivered)	Adverse local/national media coverage
4	Disaster	Substantial loss >£250,000	Significant non-compliance - Litigation, custodial sentence	Fatality, major injury (life threatening or life impacting)	Systemic or sustained service loss	Adverse/ prolonged national media coverage

9. Risk Register System

As part of good governance, the Councils manage and maintain a Strategic risk register, assigning named individuals as responsible officers for ensuring the risks, and their treatment and assurance measures are monitored and effectively managed.

The Strategic risk register is a critical tool for the organisation to capture and report on risk activity and the Councils' risk profile. The Strategic risk register is a 'live' working tool where new risks are captured, others are managed to an acceptable level, some are closed and some de-escalated to service area, programme, or company risk registers for onward operational management. Equally the services, programmes and projects, and Companies can escalate risks to the Strategic risk register.

10. Roles and Responsibilities

Group or Individual	Responsibilities
Babergh Mid Suffolk District Council Cabinets	Strategic Risk Management and approval of the joint Risk Management Policy and Strategy. Quarterly Strategic risk register reviews aligned to performance and finance reporting.
Joint Audit and Standards Committee	Consideration of the effectiveness of the joint risk management arrangements, and the control environment. Be satisfied that the joint Annual Governance Statement

	accurately reflects the risk environment and any actions taken to improve it.
S151 Officer	Provide advice to underpin the financial regulations that Members, officers, and others acting on behalf of the authority, are required to follow including matters of financial risk.
Lead Cabinet Members	Demonstrate a clear understanding and responsibility of the nature of the key risks facing the Councils, particularly those within their allocated portfolios.
Chief Executive	Demonstrate a clear understanding and responsibility of the nature of the key risks facing the Councils. Be accountable for the Strategic risk register. Ensure that risk management is embedded within the job descriptions of the Management Team. Promote a positive risk management culture.
Senior Leadership Team Members (CEO, Deputy CEO, Directors)	Review the effective management of risks and internal controls and governance supported by the Risk Management Lead. Own, review and maintain risks on the Strategic risk register. Consult with members as required to appraise them of strategic risks. Promote a positive risk management culture.
Extended Leadership Team Members (SLT and Service Managers)	To support the effective implementation of risk management through effective service plan and programme/project risk registers, supported by the Risk Management Lead. Promote a positive risk management culture.
Risk Management Lead	Responsible for preparing and promoting the Councils risk management strategy, and maintaining and reporting on the Councils' integrated strategic risk register. Advise and report to management and the Joint Audit and Standards Committee on whether the Councils' governance, appropriate risk management processes, control systems and operational procedures are in place and operating properly. Provision education and training for the Councils regarding risk management. Strive for continuous improvement of risk management across the organisation and promote a positive risk management culture.
Internal Audit	Internal Audit will advise and report to management and the Joint Audit and Standards Committee on whether the Councils' governance, appropriate risk management processes, control systems and operational procedures are in place and operating properly.
All elected Members and Staff Members	Proactively identify risks and contribute to their management where required. Report inefficiencies, irrelevant or unworkable controls. Ensure loss events or near misses are escalated promptly to management.

In relation to individual risks:	
Risk owner	Accountable for the management and control of all risks assigned to them. Determine, authorise, implement, and monitor the selected controls and actions to address the threats and maximise the opportunities.
Mitigation owner	Responsible for the management and control of all risks assigned to them. Implement and monitor the selected controls and actions to address the threats and maximise the opportunities.
Control owner	Accountable for providing the assurance that specified management control is effective and fit for purpose.
Action owner	Responsible for managing the action on the owner's behalf and to keep them appraised of progress.

11. Guidance, Education and Training

The Risk Management Lead is responsible for developing the workforce risk management capability across the organisation, through the provision of guidance, education, training, and support.

Guidance, education, and training materials are regularly under review to ensure they provision for the needs and levels of the organisation, reflect the HM Government Orange Book (2020), and promote a positive and dynamic risk culture with strong stakeholder buy in.

12. Continuous Improvement

Risk management is a continuous and improving process that the Councils are committed to, to remain agile in addressing internal and external change. The Councils will continually seek to improve the suitability, adequacy and effectiveness of the risk management framework supported by lessons learned and an annual review of the risk management strategy.

As gaps and improvement opportunities are identified, the Councils will develop plans, tasks, and delegate actions to those responsible for implementation.

13. Review

The risk management strategy, guidance and associated working templates will be annually reviewed by the Risk Management Lead as part of the Councils' overall approach to the risk management process and overseen by the Corporate Manager, Policy, Performance, Insight, Risk and Improvement and the Director for Customers, Digital Transformation, and Improvement.

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BABERGH and MID SUFFOLK DISTRICT COUNCIL

TO:	**Joint Audit and Standards Committee**	**REPORT NUMBER: JAC/21/37**
FROM:	**Monitoring Officer**	**DATE OF MEETING: 28 November 2022**
OFFICER:	**Ifty Ali – Monitoring Officer**	**KEY DECISION REF NO. N/A**

ANNUAL COMPLAINTS MONITORING REPORT 2021/22

1. PURPOSE OF REPORT

1.1 This report provides the committee with an overview of the Code of Conduct complaints received or determined over the last annual period.

2. OPTIONS CONSIDERED

2.1 The Monitoring Officer is required by the constitution to regularly report complaints to the Joint Audit and Standards Committee.

3. RECOMMENDATIONS

3.1 That the Code of Conduct complaints monitoring information contained in Paper JAC/22/21/37 be noted.

4. KEY INFORMATION

4.1 The Monitoring Officer receives and investigates code of conduct complaints made about Councillors. These complaints are allocated to either the Monitoring Officer or the Deputy Monitoring Officer and are processed in accordance with the adopted code of conduct complaints procedure. An initial assessment is made of the complaint to establish whether or not the code of conduct is engaged. If the complaint is valid, the Monitoring Officer will write to the Councillor who is the subject of the complaint to ask for their response. The Monitoring Officer will then decide whether the complaint can be determined or whether further investigation is required. Councillors will normally be informed whenever a complaint is made about them unless there is good reason not to inform them. Complaints cannot be made anonymously unless the complainant is able to demonstrate that they may be at risk of harm if anonymity was not granted.

4.2 The Councils have appointed a number of Independent Persons, with whom the Monitoring Officer is required to consult before making a finding of a breach of the code. In practice the Independent Persons are often consulted at a number of stages in the complaints process

4.3 This report covers the Code of Conduct complaints received in the 12 months between 1 May 2021 and April 30th 2022 across both the Babergh and Mid Suffolk District.

OVERVIEW

4.4 In total, the Monitoring Officer received 53 Code of Conduct complaints against Babergh and Mid Suffolk Councillors at both District level and Town and Parish level between 1st May 2021 and 30th April 2022.

4.5 The below table details the outcomes of these complaints:

Number of complaints upheld	16
Number of complaints dismissed	33
Number of complaints withdrawn	4

4.6 Where complaints have been upheld, the Monitoring Officer has issued an appropriate recommendation to the subject of the complaint detailing the actions that should be taken in response to the details of the complaint. This recommendation letter is sent to both the subject of the complaint and the complainant.

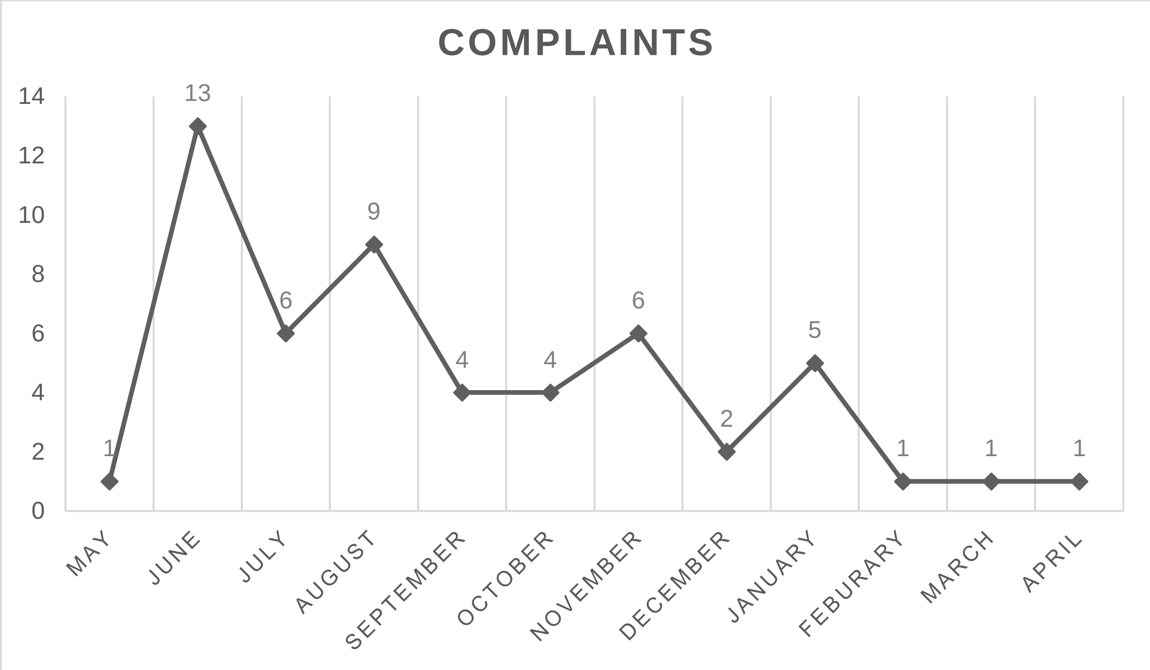
4.7 Where complaints have been dismissed, this is often because the complaint details fall outside of the Monitoring Officer's investigative remit or there are no instances of a clear and identifiable breach of the Code of Conduct.

4.8 Where complaints have been withdrawn, this withdrawal has been made by the complainant for a number of reasons. For the 4 complaints withdrawn within this time period the reasonings for doing so are listed in the table below:

Complaint	Reason for withdrawal
1	Not enough evidence to support the complaint
2	No longer wanted to proceed with the complaint
3	Councillor resigned before investigation could be completed
4	Councillor resigned before investigation could be completed

4.9 For this monitoring period, it has taken the Monitoring Officer on average 34.1 working days to make a determination on a Code of Conduct complaint. This time spans from the day that the complaint form is received to the day that the recommendation letter is distributed to the complainant and the complaint subject. This falls within our allocated time for detailing with a complaint as detailed in our complaints procedure of 54 working days. Some complaints, however, do take longer than this to resolve due to the nature of the complaint details.

4.10 Throughout the year the number of complaints that we receive varies. An identifiable trend is that we received less complaints in the run up and immediate follow on to the new electoral year. The chart below details the variations in complaint submissions:



4.11 Complainants can file a complaint under 4 different identity categories – these are: Clerk, Councillor, Officer and Public. The below table details the distribution of these 53 complaints in relation to the complainant identity type:

Complainant Identity	Number of complaints
Clerk	0
Councillor	12
Officer	1
Public	40

4.12 Complainants can file a complaint under 10 different issues. The below table details the distribution of these 53 complaints in relation to the complaint category:

Complaint Category	Number of complaints
Bringing the Council into disrepute	18
Bullying, harassment, and discrimination	9
Disclosure of confidential information	0
Lack of impartiality	0
Misuse of local authority resources	0
Misuse of position	6

Non-declaration of gifts and hospitality	0
Non-declaration of interests	8
Not treating others with respect	10
Not code of conduct	2

BABERGH DISTRICT

4.13 The below tables detail the complaints received in relation to Babergh District Council and the Town and Parish Councils within this district:

Number of complaints received	33
Number of complaints upheld	8
Number of complaints dismissed	22
Number of complaints withdrawn	3
Number of complaints referred to police	0

	Babergh District	Town and Parish
Number of complaints received	2	31
Number of complaints upheld	1	7

4.14 The complaints received concerning Councillors at Town and Parish level encompassed 8 different Councils. These were: Acton, Brantham, Brent Eleigh, Great Cornard, Hadleigh, Lavenham, Long Melford, and Pinewood.

4.15 The below table details the 1 complaint upheld against a Babergh District Councillor:

#	Complaint Category	Complainant	Time Taken	Recommendation
1	Not treating others with respect	Officer	23 Days	That the Councillor issues a formal written apology

4.16 The below table details the 7 complaints upheld against Town and Parish Councillors in the Babergh District:

#	Complaint Category	Complainant	Time Taken	Recommendation
1	Not treating others with respect	Public	57 Days	No recommendation as the Councillor had apologised ahead of the investigation's conclusion.
2	Bullying and harassment	Councillor	18 Days	That the Councillor undergoes further training.
3	Not treating others with respect	Public	66 Days	No recommendation as the Councillor had apologised ahead of the investigation's conclusion.
4	Not treating others with respect	Public	66 Days	No recommendation as the Councillor had apologised ahead of the investigation's conclusion.
5	Not treating others with respect	Councillor	64 Days	No recommendation as the Councillor had apologised ahead of the investigation's conclusion.
6	Not treating others with respect	Councillor	62 Days	No recommendation as the Councillor had apologised ahead of the investigation's conclusion.
7	Non-disclosure of interests	Public	23 Days	That the Councillor undergoes further training.

4.17 Complaints 3 through to 6 in the above table detail multiple complaints made against 1 Councillor regarding 1 single issue.

MID SUFFOLK DISTRICT

4.18 The below tables detail the complaints received in relation to Mid Suffolk District Council and the Town and Parish Councils within this district:

Number of complaints received	20
Number of complaints upheld	8
Number of complaints dismissed	11
Number of complaints withdrawn	1
Number of complaints referred to police	0

	Mid Suffolk District	Town and Parish
Number of complaints received	2	18
Number of complaints upheld	0	8

4.19 The complaints received concerning Councillors at Town and Parish level encompassed 8 different Councils. These were: Barham, Battisford, Bramford, Cotton, Drinkstone, Felsham, Hessett, and Wattisfield.

4.20 The below table details the 8 complaints upheld against Town and Parish Councillors in the Mid Suffolk District:

#	Complaint Category	Complainant	Time Taken	Recommendation
1	Bringing the Council into disrepute	Public	32 Days	That the Councillor apologises at the next Council meeting.
2	Bringing the Council into disrepute	Public	31 Days	That the Councillor apologises at the next Council meeting.
3	Bringing the Council into disrepute	Public	30 Days	That the Councillor apologises at the next Council meeting.
4	Bringing the Council into disrepute	Councillor	29 Days	That the Councillor apologises at the next Council meeting.
5	Bringing the Council into disrepute	Public	26 Days	That the Councillor apologises at the next Council meeting.
6	Bringing the Council into disrepute	Public	26 Days	That the Councillor apologises at the next Council meeting.
7	Bringing the Council into disrepute	Public	26 Days	That the Councillor apologises at the next Council meeting.
8	Non-disclosure of interests	Public	21 Days	The Councillor was issued with a formal warning

4.21 Complaints 1 through to 7 in the above table detail multiple complaints made against 1 Councillor regarding 1 single issue.

5. LINKS TO CORPORATE PLAN

5.1 To provide public confidence and legitimacy to the decision-making process that underpins all decisions that are made by the Council that support the priorities identified in the Corporate Plan.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

7. LEGAL IMPLICATIONS

7.1 Under the Localism Act 2011, the Monitoring Officer is required to establish a local code of conduct for Councillors and to investigate complaints made relating to breaches of that code.

8. RISK MANAGEMENT

8.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Complaints are not handled promptly	2 - Unlikely	1 - Minimal	Monitoring of complaints, clear complaints procedure
Decisions are not sound	2 - Unlikely	3 - Bad	Apply adopted procedures, consult with the Independent Person

9. CONSULTATIONS

9.1 When appropriate the Monitoring Officer is required to consult the Independent Person when considering Code of Conduct complaints.

10. EQUALITY ANALYSIS

10.1 Equality Impact Assessment (EIA) not required.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications associated with this report.

12. APPENDICES

Title	Location
None	None

13. BACKGROUND DOCUMENTS

13.1 None.

14. REPORT AUTHORS

Ifty Ali – Monitoring Officer

Janice Robinson – Deputy Monitoring Officer

Alicia Norman – Lead Officer for Overview and Scrutiny and Projects

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: Joint Audit and Standards Committee	**REPORT NUMBER: JAC/21/38**
FROM: Melissa Evans, Director, Corporate Resources	**DATE OF MEETING: 28 November 2022**
OFFICER: Rebecca Hewitt, Corporate Manager – Finance, Commissioning & Procurement Sue Palmer, Senior Finance Business Partner	**KEY DECISION REF NO. N/A**

HALF YEAR REPORT ON TREASURY MANAGEMENT 2022/23

1. PURPOSE OF REPORT

1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the first six months of the financial year 2022/23.

1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, and the transactions executed during the first six months of 2022/23 and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.

2. OPTIONS CONSIDERED

2.1 This report fulfils the Councils' legal obligations to have regard to the Code and there are no other options to consider.

3. RECOMMENDATION TO BOTH COUNCILS

3.1 That the Treasury Management activity for the first six months of 2022/23 as set out in this report and Appendices be noted.

RECOMMENDATION TO BABERGH COUNCIL

3.2 That it be noted that Babergh District Council's treasury management activity for the first six months of 2022/23 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management Indicators for this period.

RECOMMENDATION TO MID SUFFOLK COUNCIL

3.3 That it be noted that Mid Suffolk District Council's treasury management activity for the first six months of 2022/23 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds, as mentioned in Appendix C,

	paragraph 4.1the Council has complied with all the Treasury Management Indicators for this period.
	REASON FOR DECISION **It is a requirement of the Code of Practice on Treasury Management that full Council notes the Half-Year position.**

4. KEY INFORMATION

4.1 The 2022/23 Treasury Management Strategy for both Councils was approved in February 2022.

4.2 The Strategy and activities are affected by several factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the first six months of 2022/23.

4.3 The Joint Treasury Management outturn report for 2021/22 was presented to Members at the Joint Audit and Standards Committee on 25 July 2022.

4.4 The Section 151 Officer is pleased to report that all treasury management activities undertaken in the first half of the year complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy and that both Councils have complied with all the Treasury Management Indicators for this period.

4.5 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

4.6 Appendix D shows the position on key Treasury Management Indicators for the first six months of 2022/23.

4.7 Key points relating to activity for the first half of the year are set out below:

- The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

- The latest labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m per year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and –2.8% for regular pay.

- With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low in August.

- The Bank of England (BoE) increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

- UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August.
- Investment of surplus funds - As market conditions, credit ratings and bank ring-fencing have changed during the year, institutions that the Councils invest with, and the period of the investments have been reviewed.
- Credit risk scores were within the benchmark A- credit ratings.
- Babergh's overall debt reduced by £7.3m, mainly due to repaying short-term local authority loans.
- Mid Suffolk's overall debt increased by £8.5m, due to taking out more medium-term and short-term local authority loans.
- These changes reflect the ongoing impact of the ongoing economic pressures, the aftermath of Covid19 and the on general income and expenditure activity. COVID grants and S.31 Business Rates grants are held in reserves pending their use to offset continuing expenditure and income losses and expenditure on capital projects continues to be delayed due to shortages of supplies and labour.

4.8 Money market funds, short-term deposits and call accounts are used to make short term investments on a daily basis.

4.9 Appendix A sets out the issues that are impacting on current and future treasury management activity.

5. LINKS TO JOINT CORPORATE PLAN

5.1 Ensuring that the Councils have the resources available underpins the ability to achieve the priorities set out in the Joint Corporate Plan.

6. FINANCIAL IMPLICATIONS

6.1 As outlined in this report and appendices.

7. LEGAL IMPLICATIONS

7.1 The legal status of the Treasury Management Code derives in England from regulations issued under the Local Government Act 2003 (the 2003 Act).

7.2 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the 2003 Act.

7.3 The latest statutory guidance on local government investments was issued under section 15(1)(a) of the 2003 Act and effective for financial years commencing on or after 1 April 2018. Under that section local authorities "shall have regard to such guidance as the Secretary of State may issue".

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Councils' Significant Risk Register, Risk no.13. "We may be unable to respond in a timely and effective way to financial demands".

8.2 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils lose the investments this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils achieve a poorer return on investments than planned, there will be fewer resources available to deliver services.	Probable (3)	Noticeable (2)	Focus is on security and liquidity, and careful cash flow management in accordance with the TM Strategy is undertaken throughout the year.
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.

9. CONSULTATIONS

9.1 Regular meetings have taken place with the Councils' treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

11.1 All Council activities will need to be reviewed as part of the work of the Climate Change Task Group and have regard to the Councils' ambition to be carbon neutral by 2030.

11.2 Both Councils have joined Arlingclose's ESG and Responsible Investment Service. This will provide advice for ESG integration in the Councils' investment portfolios.

11.3 Following a report (Report JAC/20/21) on 17 May 2021 it was resolved by this Committee to recommend that the Cabinet pushes its fund managers to filter investments in respect of the ESG considerations, looking for positive contributions to tackling our carbon reduction priorities and that the Cabinet considers withdrawing funds from investors who do not adequately address these concerns.

11.4 The Joint Audit and Standards Committee recognised that any decision to withdraw funds should be balanced against financial prudence.

12. APPENDICES

Title	Location
(a) Background, Economy and Outlook	Appendix A
(b) Borrowing Strategy	Appendix B
(c) Investment Activity	Appendix C
(d) Treasury Management indicators	Appendix D
(e) Glossary of Terms	Appendix E

13. BACKGROUND DOCUMENTS

13.1 CIPFA's Code of Practice on Treasury Management ("the Code").

13.2 Joint Treasury Management Strategy 2022/23 (Paper IRJAC/21/15).

13.3 Environmental, Social and Governance (ESG) Considerations for the Councils' Joint Treasury Management Strategy (JAC/20/21 and Minute no.37)

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Appendix A

Background, Economy and Outlook

1. Introduction

1.1 In February 2012 both Councils adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Councils to approve treasury management half year and annual reports.

1.2 The Joint Treasury Management Strategy for 2022/23 was approved at both full Councils in February 2022. Both Councils have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Councils' Treasury Management Strategy.

1.3 CIPFA published its revised Treasury Management Code of Practice (the TM Code) and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish, which both Councils elected to do.)

1.4 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Councils' Capital Strategy, for the financial year 2022/23, complying with CIPFA's Code requirement, was approved by both full Councils in February 2022.

1.5 The Statutory Guidance on Local Government Investments (MHCLG, 2018) requires local authorities to produce an investment strategy, covering investments that are not part of treasury management activity. The Councils' Investment Strategy, for the financial year 2022/23, was also approved by both full Councils in February 2022.

2. External Context

2.1 Economic background:

2.1.1 The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

2.1.2 The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

2.1.3 Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

2.1.4 UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.

2.1.5 The latest labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and –2.8% for regular pay.

2.1.6 With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low in August. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

2.1.7 The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

2.1.8 On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

2.1.9 Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

2.1.10 After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

2.1.11 Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from –0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

2.2 **Financial markets:**

2.2.1 Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

2.2.2 Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

2.2.3 Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

2.3 **Credit background:**

2.3.1 In July Fitch revised the outlook on Standard Chartered from negative to stable as it expected profitability to improve thanks to the higher interest rate environment. Fitch also revised the outlook for Bank of Nova Scotia from negative to stable due to its robust business profile.

2.3.2 Also in July, Moody's revised the outlook on Bayerische Landesbank to positive and then in September S&P revised the GLA outlook to stable from negative as it expects the authority to remain resilient despite pressures from a weaker macroeconomic outlook coupled with higher inflation and interest rates.

2.3.3 Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on the Arlingclose recommended list is 100 days. These recommendations were unchanged at the end of the period.

2.3.4 Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Councils' counterparty list recommended by Arlingclose remains under constant review.

3 Outlook for the remainder of 2022/23: (based on data of 7th November)

3.1 The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.

3.2 Following the exceptional 75bp rise in November, the Councils' treasury advisor, Arlingclose, believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

3.3 The UK economy likely entered recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.

3.4 Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

3.5 Gilt yields face pressures to both sides from hawkish US/European Zone central bank policy on one hand to the weak global economic outlook on the other. Bank of England bond sales will maintain yields at a higher level than would otherwise be the case.

3.6 **Background:**

3.7 UK interest rate expectations have eased following the explosive mini budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remains highly uncertain.

3.8 Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.

3.9 The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.

3.10 The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium term outlook for the UK economy is bleak, with the Bank of England projecting a protracted recession.

3.11 Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.

3.12 Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.

3.13 However, in a departure from Federal Reserve and European Central Bank policy, in November the Bank of England attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

3.14 There has been a material tightening in financial conditions, including the elevated path of market interest rates. In addition, high energy prices continue to weigh on spending, despite an assumption of some fiscal support for household energy bills beyond the current six-month period of the Energy Price Guarantee. As a result, the UK economy is expected to remain in recession throughout 2023 and the first half of 2024, and GDP is expected to recover only gradually thereafter.

3.15 Although there is judged to be a greater margin of excess demand currently, continued weakness in spending leads to an increasing degree of economic slack emerging from the first half of 2023, including a rising unemployment rate.

3.16 Despite a decline in global price pressures and a significant fall in the contribution of household energy prices to CPI inflation, domestic inflationary pressures remain strong over the next year. But an increasing degree of economic slack depresses domestic pressures further out. Conditioned on the elevated path of market interest rates, CPI inflation declines to below the 2% target in the medium term, although the Committee judges that the risks to the inflation projections are skewed to the upside.

3.17 Arlingclose – Forecast rates (based on data of 7th November**)**

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00

4 Local Context

4.1 On 31 March 2022, Babergh had a net borrowing requirement of £132m and Mid Suffolk had a net borrowing requirement of £112m arising from revenue and capital income and expenditure.

4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 that follows.

4.3 **Table 1: Balance Sheet Summary**

Balance Sheet Summary	31.03.22 Babergh £m	31.03.22 Mid Suffolk £m
General Fund CFR	71.555	101.275
HRA CFR	94.031	94.241
Total CFR	**165.586**	**195.516**
(Less): Usable reserves	(49.460)	(67.070)
(Less) / Add: Working capital	15.424	(16.869)
Net borrowing requirement	**131.550**	**111.577**

4.4 Higher official interest rates have increased the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

4.5 The treasury management position on 30 September 2022 and the change during the half year is shown in Table 2 that follows.

Appendix A cont'd

4.6 **Table 2: Treasury Management Summary**

Babergh	**31.03.22 Balance £m**	**Movement £m**	**30.09.22 Balance £m**	**30.09.22 Rate %**
Long-term borrowing	94.396	(0.275)	94.121	3.20%
Short-term borrowing	26.000	(7.000)	19.000	1.07%
Total borrowing	**120.396**	**(7.275)**	**113.121**	
Long-term investments	11.105	0.000	11.105	4.56%
Short-term investments	8.000	(6.000)	2.000	0.98%
Cash and Cash equivalents	1.714	0.119	1.833	1.03%
Total Investments	**20.819**	**(5.881)**	**14.938**	
Net borrowing	**99.577**		**98.183**	

Mid Suffolk	**31.03.22 Balance £m**	**Movement £m**	**30.09.22 Balance £m**	**30.09.22 Rate %**
Medium / Long-term borrowing	97.335	6.949	104.285	2.68%
Short-term borrowing	29.000	1.500	30.500	1.04%
Total borrowing	**126.335**	**8.449**	**134.785**	
Long-term investments	11.101	0.000	11.101	4.58%
Short-term investments	8.000	(8.000)	0.000	0.93%
Cash and Cash equivalents	2.317	(0.984)	1.333	1.00%
Total Investments	**21.418**	**(8.984)**	**12.434**	
Net borrowing	**104.917**		**122.350**	

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Appendix B

1 Borrowing Strategy

1.1 On 30 September 2022 Babergh held £113.1m of loans, a decrease of £7.28m and Mid Suffolk held £128.3m of loans, a decrease of £7m since 31 March 2022.

1.2 Babergh has reduced net overall borrowing by making repayments on long term Public Works Loan Board (PWLB) loans and by repaying short-term local authority loans.

1.3 Mid Suffolk has reduced net overall borrowing by making repayments on long term PWLB loans and repaying both medium-term and short-term loans with other local authorities.

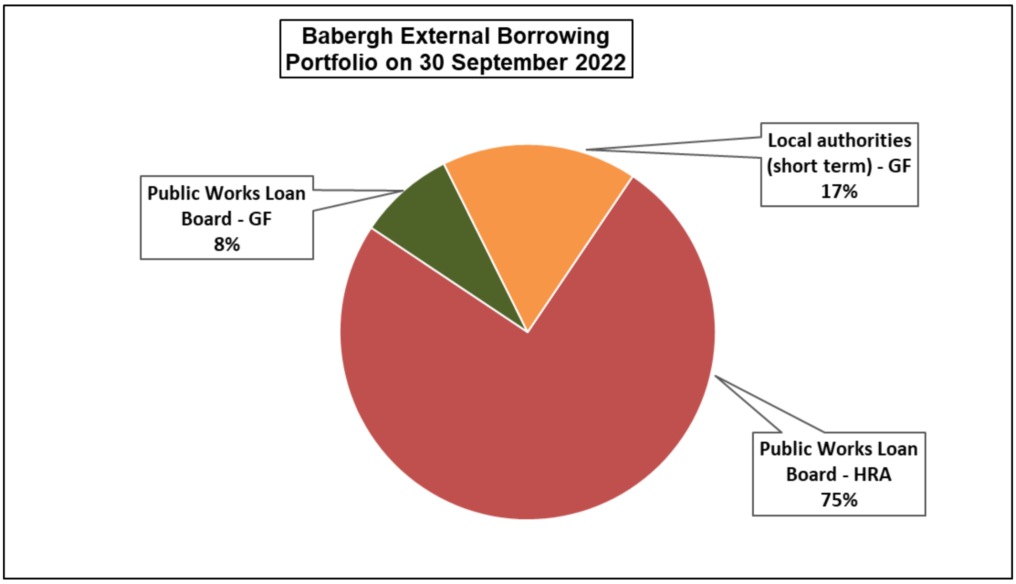
1.4 The borrowing position on 30 September 2022 is shown in Table 3 that follows.

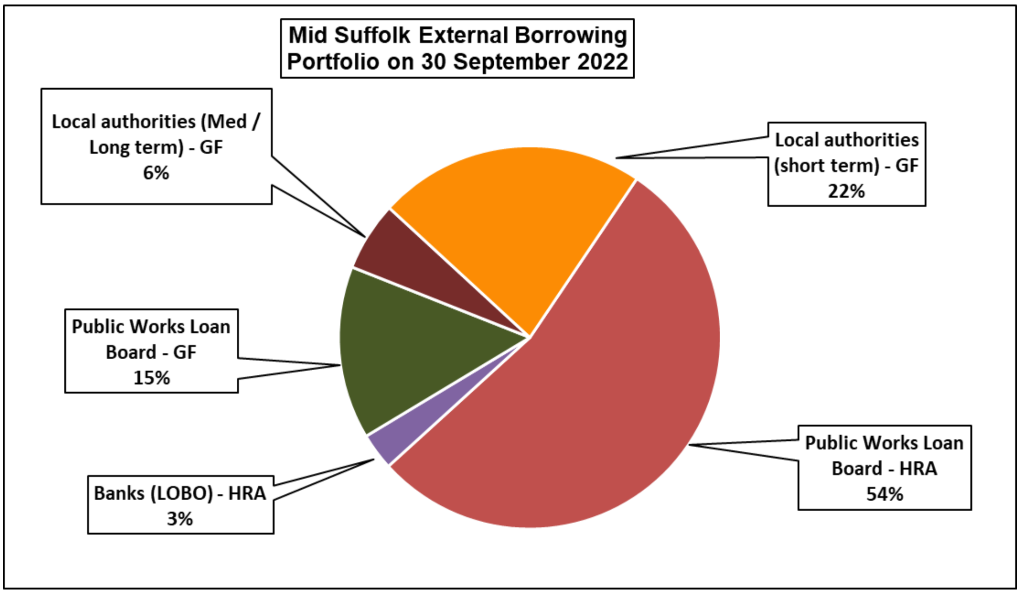
1.5 **Table 3: Borrowing Position**

Babergh	31.03.22 Balance £m	Movement £m	30.09.22 Balance £m	30.09.22 Weighted Average Rate %
Public Works Loan Board - HRA	84.747	0.000	84.747	3.30%
Public Works Loan Board - GF	9.649	(0.275)	9.374	2.30%
Local authorities (short term) - GF	26.000	(7.000)	19.000	1.07%
Total borrowing	**120.396**	**(7.275)**	**113.121**	

Mid Suffolk	31.03.22 Balance £m	Movement £m	30.09.22 Balance £m	30.09.22 Weighted Average Rate %
Public Works Loan Board - HRA	69.037	0.000	69.037	3.30%
Banks (LOBO) - HRA	4.000	0.000	4.000	4.21%
Public Works Loan Board - GF	19.298	(0.551)	18.747	2.30%
Local authorities (Med / Long term) - GF	12.500	(5.000)	7.500	0.53%
Local authorities (short term) - GF	30.500	(1.500)	29.000	1.04%
Total borrowing	**135.335**	**(7.051)**	**128.285**	

1.6 **Table 3 - Charts - The Councils' Borrowing Portfolios on 30 September 2022:**





1.7 The Councils' chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with the secondary objective of having flexibility to renegotiate loans should the Councils' long-term plans change. The Councils' borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

1.8 Over the April-September period short term PWLB rates rose dramatically, particularly in late September after the Chancellor's 'mini-budget' prompted a fall in sterling and rise in market interest rate expectations. Interest rates rose by over 2% during the period in both the long and short term. As an indication the 5-year maturity certainty rate rose from 2.30% on 1st April to 5.09% on 30th September; over the same period the 30-year maturity certainty rate rose from 2.63% to 4.68%.

1.9 Although interest rates across the board have risen, short-term borrowing from other local authorities remains at lower interest rates than long term borrowing.

1.10 With short-term interest rates remaining much lower, the Councils considered it more cost effective in the near term to use internal resources or short to medium-term loans instead.

1.11 The Councils borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Councils will evaluate and pursue these lower cost solutions and opportunities with its treasury advisor Arlingclose.

1.12 The Treasury Management Strategy shows that both Councils have increasing CFRs and estimated net borrowing requirements which are for capital expenditure on schemes including the HRA new build programme, the former HQ sites, Gateway 14 Ltd, and vehicle renewals.

1.13 Both Councils repaid medium-term and short-term borrowing in the period.

1.14 LOBO loans: Mid Suffolk continues to hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first half of 2022/23.

2 Borrowing Update

2.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Councils.

2.2 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Councils are not planning to purchase any investment assets primarily for yield within the next three years and so are able to fully access the PWLB.

2.3 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

2.4 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

Revised PWLB Guidance

2.5 HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26 November 2020 is allowable even for an 'investment asset primarily for yield'.

- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1 March and remain open all year. Returns must be updated if there is a change of more than 10%.

- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.

- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.

- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Appendix C

1 Treasury Investment Activity

1.1 CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

1.2 Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2021/22, Babergh's investment balances ranged between £14.3m and £26.1m. Mid Suffolk's investment balances ranged between £12.4m and £27.2m. These movements are due to timing differences between income and expenditure.

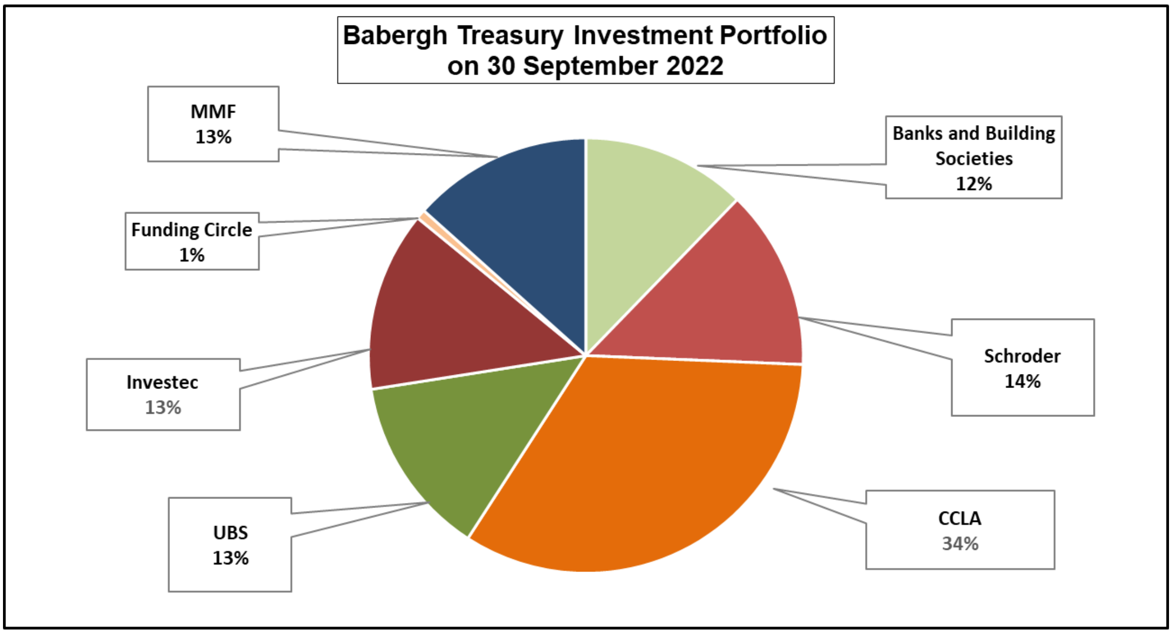
1.3 The investment position and weighted average rates during the first six months of the year is shown in Table 4 that follows.

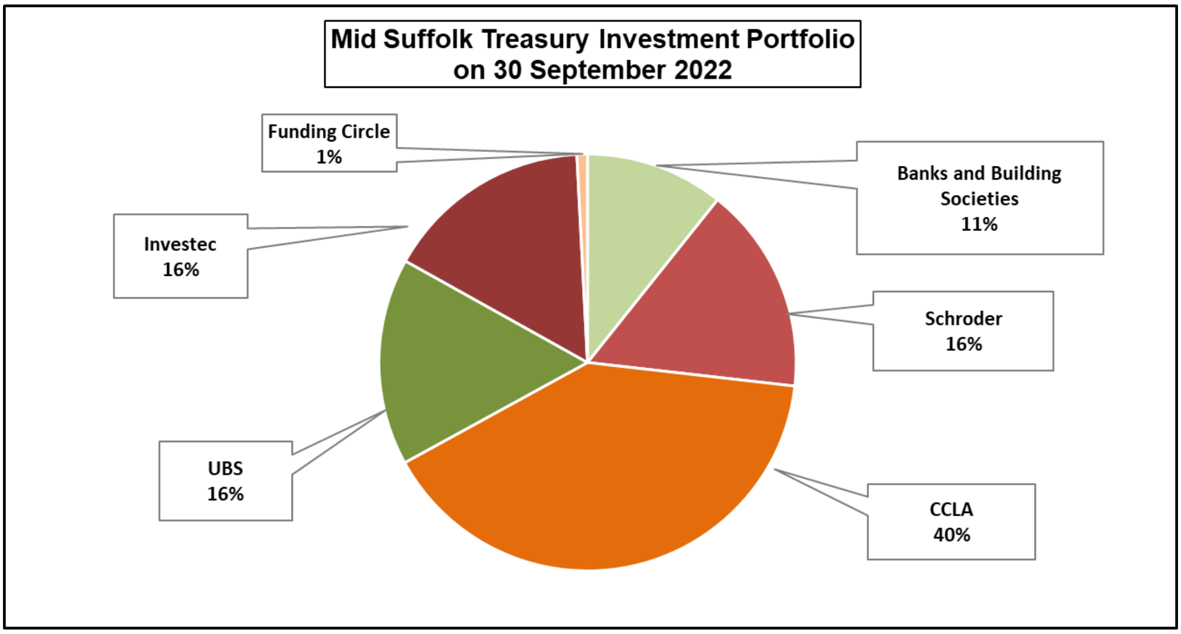
1.4 **Table 4: Treasury Investment Position**

Babergh	**31.03.22 Balance £m**	**Movement £m**	**30.09.22 Balance £m**	**30.09.22 Weighted Average Rate %**
Banks and Building Societies	1.714	0.119	1.833	1.03%
Money Market Funds	8.000	(6.000)	2.000	0.98%
Other Pooled Funds	11.105	0.000	11.105	4.56%
Total Investments	**20.819**	**(5.881)**	**14.938**	

Mid Suffolk	**31.03.22 Balance £m**	**Movement £m**	**30.09.22 Balance £m**	**30.09.22 Weighted Average Rate %**
Banks and Building Societies	2.317	(0.984)	1.333	1.00%
Money Market Funds	6.000	(6.000)	0.000	0.99%
Other Pooled Funds	11.101	0.000	11.101	4.58%
DMADF	2.000	(2.000)	0.000	0.88%
Total Investments	**21.418**	**(8.984)**	**12.434**	

1.5 The Councils' Investment Portfolios on 30 September 2022:





1.6 Both the CIPFA Code and government guidance requires the Councils to invest their funds prudently, and to have regard to the security and liquidity of their treasury investments before seeking the optimum rate of return, or yield. The Councils' objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.7 The increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose by around 1.5% for overnight to 7-day maturities and by nearly 3.5% for 9 to12 month maturities.

1.8 By the end of September, the rates on DMADF deposits ranged between 1.85% and 3.5%. The return on the Councils' sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.46% - 0.54% p.a. at the beginning of April and between 1.62% and 1.8% at the end of September.

1.9 Neither Council made further investments in strategic pooled funds (e.g. pooled property, multi asset and equity funds) during the period.

1.10 The average rate of return is significantly higher than the comparable average returns of Arlingclose's other clients, as shown in Table 5 that follows. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking.

1.11 **Table 5: Investment Benchmarking – Treasury investments managed in-house**

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2022	5.04	A+	99%	1	2.44%
30.06.2022	5.15	A+	99%	1	3.19%
30.09.2022	5.20	A+	98%	1	3.87%
Mid Suffolk	**Credit Score**	**Credit Rating**	**Bail-in Exposure**	**Weighted Average Maturity (days)**	**Rate of Return**
31.03.2022	4.38	AA-	80%	2	2.57%
30.06.2022	3.99	AA-	62%	3	2.50%
30.09.2022	5.35	A+	96%	1	4.18%

Arlingclose Benchmarks for 30.09.22	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
Similar LAs	4.34	AA-	57%	42	2.23%
All LAs	4.29	AA-	55%	18	2.06%

1.12 Bail-in involves the shareholders and creditors of a failing financial institution meeting the costs, instead of the government. Babergh and Mid Suffolk have a higher proportion of investments in strategic pooled funds compared to total investments, so their bail-in exposure is proportionately higher than the local authorities in Arlingclose's benchmarking group. Babergh and Mid Suffolk have chosen to adopt a strategy of generating higher returns by investing funds available in banks and strategic pooled funds.

1.13 Each Council has £11.1m of externally managed strategic pooled equity, property and multi assets funds where short-term security and liquidity are lesser considerations, and the primary objectives instead are regular revenue income and long-term price stability. Since the date of the initial investments, these have generated a total income return, used to support service provision, of £3.17m for Babergh and £3.03m for Mid Suffolk. Both Councils have achieved an average rate of return for the period of 4.6%.

1.14 These pooled funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils' investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates. Investment in these funds has been maintained during the first six months of the year.

1.15 Since 2018/19, the International Financial Reporting Standards for pooled funds states that changes in valuations must be taken through the general fund. A statutory override was granted until 2022/23 so these changes will have no impact on the "bottom line" until 2023/24.

1.16 The Department for Levelling Up, Housing and Communities (DLUHC) undertook a consultation on the status of the statutory override, between August and October this year. Under the override, fair value movements in the value of pooled funds are recorded by local authorities in an unusable reserve rather than in the general fund. Their decision is yet to be announced.

1.17 It is intended to set aside any increases in valuation to a reserve to mitigate future potential losses. These pooled funds are long term investments and the Councils would not sell the units whilst their value was less than the original investment.

2 Long Term investments – Pooled Fund Performance

2.1 The April-September period was a very difficult environment for bonds engendered by global central banks' determination to bring high and persistent inflation under control through increases in policy rates and strong rhetoric. The sell-off in gilts, other sovereign bonds and corporate bonds with a rise in gilt/bond yields (i.e. a fall in price) was reflected in the Councils bond and multi-asset income funds.

2.2 The increase in policy rates in the UK, US and Eurozone and the prospect of low to no growth and a recessionary period ahead was also a challenging period for equities, the FTSE All Share index falling from 4187 on 31st March to 3763 on 30th September, whilst the MSCI World Index fell from 3053 to 2378 over the same period. The fall in equity valuations is reflected in the equity and multi-asset income funds.

2.3 Significant financial market volatility and uncertainty remain due to stagflation fears, little sight of the war in Ukraine ending soon and ongoing supply chain issues, a lingering problem over the past 30 months, yet to be fully resolved.

2.4 The capital value of the property fund is above that on 31 March. Market values of all the pooled funds on 31 March and 30 September 2022 are as shown in Table 6 that follows.

2.5 The Councils' objective is to retain these investments in pooled funds to generate an income return. These are long-term investments and would only be redeemed when capital growth had been achieved. Table 6 that follows is a summary of performance by fund from initial investment date until the most recent return valuation available and details of interest received.

2.6 **<u>Table 6: Pooled Fund Performance</u>**

2.6.1 Both Councils invested £5m each into the CCLA Local Authority Property Fund. Babergh purchased 1.657m units on 31 August 2015 and Mid Suffolk 1.632m units on 29 October 2015. The valuations are based on the number of units owned.

2.6.2 **Table 6.1 CCLA Performance**

CCLA	Babergh				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	4.791	0.840	5.631	0.043	5.674
Cumulative Net Interest received from date of initial investment	**1.224**	**0.189**	**1.413**	**0.093**	**1.506**
Annual Performance					
Net Interest received in year	**0.209**		**0.189**		**0.093**
Average Rate of Return for year	**4.19%**		**3.78%**		**3.73%**

CCLA	Mid Suffolk				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	4.717	0.827	5.544	0.043	5.587
Cumulative Net Interest received from date of initial investment	**1.171**	**0.186**	**1.357**	**0.092**	**1.449**
Annual Performance					
Net Interest received in year	**0.206**		**0.186**		**0.092**
Average Rate of Return for year	**4.12%**		**3.72%**		**3.67%**

2.6.3 Both Councils invested £2m each into the Schroder Income Maximiser Fund on 10 February 2017.

2.6.4 **Table 6.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.540	0.167	1.707	(0.307)	1.400
Cumulative Net Interest received from date of initial investment	**0.558**	**0.108**	**0.666**	**0.065**	**0.731**
Annual Performance					
Net Interest received in year	**0.103**		**0.108**		**0.065**
Average Rate of Return for year	**5.16%**		**5.40%**		**6.44%**

Schroder Maximiser Fund	Mid Suffolk				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.540	0.167	1.707	(0.307)	1.400
Cumulative Net Interest received from date of initial investment	**0.558**	**0.108**	**0.666**	**0.065**	**0.731**
Annual Performance					
Net Interest received in year	**0.103**		**0.108**		**0.065**
Average Rate of Return for year	**5.16%**		**5.40%**		**6.44%**

2.6.5 Babergh invested £2m in the UBS Multi Asset Income Fund on 26 November 2015, whilst Mid Suffolk invested £2m on 28 March 2017.

2.6.6 **Table 6.3 UBS Performance**

UBS	Babergh				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.831	(0.095)	1.736	(0.287)	1.449
Cumulative Net Interest received from date of initial investment	**0.452**	**0.080**	**0.533**	**0.051**	**0.583**
Annual Performance					
Net Interest received in year	**0.103**		**0.080**		**0.051**
Average Rate of Return for year	**5.16%**		**4.01%**		**5.06%**

UBS	Mid Suffolk 31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.828	(0.095)	1.733	(0.287)	1.446
Cumulative Net Interest received from date of initial investment	**0.361**	**0.080**	**0.441**	**0.051**	**0.492**
Annual Performance					
Net Interest received in year	**0.103**		**0.080**		**0.051**
Average Rate of Return for year	**5.16%**		**4.01%**		**5.05%**

2.6.7 Both Councils invested £2m each in the Investec Ninety-One Diversified Income I Fund on 24 May 2019. This fund aims to provide monthly income with the opportunity for long-term capital growth, investing in equities, fixed income investments (e.g. corporate or government bonds) as well as cash and money market funds.

2.6.8 **Table 6.4 Investec Ninety-One Performance**

Investec Ninety One Series i Diversified Income Fund	Babergh 31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.995	(0.097)	1.898	(0.163)	1.735
Cumulative Net Interest received from date of initial investment	**0.137**	**0.071**	**0.209**	**0.038**	**0.247**
Annual Performance					
Net Interest received in year	**0.075**		**0.071**		**0.038**
Average Rate of Return for year	**3.75%**		**3.57%**		**3.82%**

Investec Ninety One Series i Diversified Income Fund	Mid Suffolk 31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.995	(0.097)	1.898	(0.163)	1.735
Cumulative Net Interest received from date of initial investment	**0.137**	**0.071**	**0.209**	**0.038**	**0.247**
Annual Performance					
Net Interest received in year	**0.075**		**0.071**		**0.038**
Average Rate of Return for year	**3.75%**		**3.57%**		**3.82%**

2.6.9 Both Councils invested in Funding Circle on 1 November 2015 and has varied the amounts invested since.

2.6.10 **Table 6.5 Funding Circle Performance**

Funding Circle	Babergh				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount Invested - National	0.166	(0.061)	0.105	0.000	0.105
Total Amount Invested	**0.166**	**(0.061)**	**0.105**	**0.000**	**0.105**
Bad debts to date	(0.046)	0.003	(0.044)	0.001	(0.043)
Accrued Interest	0.005	(0.004)	0.002	(0.001)	0.000
Valuation	**0.125**	**(0.062)**	**0.063**	**(0.001)**	**0.062**
Income received	0.119	0.002	0.121	0.000	0.121
Servicing costs	(0.014)	(0.000)	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.100**	**0.002**	**0.107**	**0.000**	**0.107**
Annual Performance					
Net Interest received in year	**0.013**		**0.002**		**0.000**
Average Rate of Return	**3.14%**		**4.30%**		**4.40%**

Funding Circle	Mid Suffolk				
	31.03.21 Balance £m	2020/21 Movement £m	31.03.22 Balance £m	6 months Movement £m	30.09.22 Balance £m
Amount Invested - National	0.162	(0.061)	0.101	0.000	0.101
Total Amount Invested	**0.162**	**(0.061)**	**0.101**	**0.000**	**0.101**
Bad debts to date	(0.050)	0.004	(0.047)	0.000	(0.046)
Accrued Interest	0.005	(0.003)	0.001	(0.001)	0.000
Valuation	**0.116**	**(0.060)**	**0.056**	**(0.001)**	**0.055**
Income received	0.119	0.001	0.121	0.000	0.121
Servicing costs	(0.014)	0.000	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.106**	**0.001**	**0.107**	**(0.000)**	**0.107**
Annual Performance					
Net Interest received in year	**0.005**		**0.001**		**(0.000)**
Average Rate of Return	**2.98%**		**4.20%**		**4.20%**

3 Non-Treasury Holdings and Other Investment Activity

3.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Councils as well as other non-financial assets which the Councils hold primarily for financial return.

3.2 Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

3.3 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

Investment Property

3.4 On 5 August 2016 Babergh purchased Borehamgate Shopping centre in Sudbury for £3.56m. This has been classified as an investment property and on 31 March 2022, it was assessed at Fair Value of £2.67m.

Trading Companies

3.5 Babergh holds £5m of equity in Babergh Holdings Ltd and Mid Suffolk holds the same in Mid Suffolk Holdings Ltd.

3.6 The Capital Investment Fund Company (CIFCO Ltd) is a jointly owned subsidiary of both Babergh Holdings Ltd and Mid Suffolk Holdings Ltd (50% each) and both Councils have loans of £44.7m in CIFCO Ltd. These loans have generated £6.97m (gross) of investment income for each Council since the start of trading.

3.7 Mid Suffolk also holds £1.622m of equity and £28.8m of loans in another subsidiary of Mid Suffolk Holdings Ltd, Gateway 14 Ltd, which has generated £4.4m of accrued investment income since 13 August 2018.

3.8 Mid Suffolk holds £1.26m of loans in another subsidiary of Mid Suffolk Holdings Ltd, Mid Suffolk Growth Ltd.

3.9 Further details are shown in Table 7 that follows.

3.10 **Table 7: Trading Companies activity**

Babergh	Trading Companies - Loans				
	31.3.21 Balance £m	2021/22 Movement £m	31.3.22 Balance £m	6 Months Movement £m	30.9.22 Balance £m
CIFCO Ltd					
Interest Receivable	(3.661)	(2.209)	(5.870)	(1.099)	(6.969)
Interest Payable	0.721	0.249	0.970	0.123	1.093
Cumulative Net Interest received from date of investments	**(2.940)**	**(1.960)**	**(4.900)**	**(0.976)**	**(5.876)**

Mid Suffolk	Trading Companies - Loans				
	31.3.21 Balance £m	2021/22 Movement £m	31.3.22 Balance £m	6 Months Movement £m	30.9.22 Balance £m
Interest Receivable					
CIFCO Ltd	(3.661)	(2.209)	(5.870)	(1.099)	(6.969)
Gateway 14 Ltd	(2.426)	(1.216)	(3.642)	(0.748)	(4.390)
Mid Suffolk Growth	0.000	(0.022)	(0.022)	0.000	(0.022)
Total Interest Receivable	**(6.087)**	**(3.447)**	**(9.534)**	**(1.847)**	**(11.359)**
Interest Payable					
CIFCO Ltd	1.319	0.481	1.800	0.227	2.027
Gateway 14 Ltd	0.540	0.080	0.620	0.024	0.644
Total Interest Payable	**1.859**	**0.561**	**2.420**	**0.251**	**2.671**
Net Interest					
CIFCO Ltd	(2.342)	(1.728)	(4.070)	(0.872)	(4.942)
Gateway 14 Ltd	(1.886)	(1.136)	(3.022)	(0.724)	(3.746)
Cumulative Net Interest received from date of investments	**(4.228)**	**(2.864)**	**(7.092)**	**(1.596)**	**(8.688)**

4 Compliance Report

4.1 The Section 151 Officer can report that all treasury management activities undertaken complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy, except for one occasion, on 21 April 2022, when Mid Suffolk's bank account balance went above the limit by £509k due to an unexpected capital receipt received too late in the day for the additional balance to be invested.

5 Table 8: Debt Limits

5.1 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table that follows.

Borrowing	Actual Maximum	30.09.22 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied
Babergh	£127m	£121m	£183m	£198m	✓
Mid Suffolk	£145m	£135m	£246m	£261m	✓

5.2 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

5.3 Compliance with specific investment limits is demonstrated in Table 9 that follows.

5.4 **Table 9: Investment Limits**

Babergh	Actual Maximum	30.09.22 Actual	2021/22 Limit	Complied
Lloyds Bank	£1.841m	£1.833m	£2m	✓
Money market funds	45.08%	13.39%	50%	✓
DMADF	Nil	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.105m	£0.105m	£1m	✓

Mid Suffolk	Actual Maximum	30.09.22 Actual	2021/22 Limit	Complied
Lloyds Bank	£2.509m	£0.833m	£2m	☒
Barclays Bank	£0.500m	£0.500m	£2m	✓
Money market funds	31.71%	0.00%	50%	✓
DMADF	£3m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.101m	£0.101m	£1m	✓

5.5 It should be noted that both Council's treasury management activity for the first six months of 2022/23 was in accordance with the approved Treasury Management Strategy, and that, both Councils have complied with all the Treasury Management Indicators for this period.

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Appendix D

1 Treasury Management Indicators

1.1 The Councils measure and manage their exposure to treasury management risks using the following indicators.

1.2 **Security:** The Councils have adopted a voluntary measure of exposure to credit risk by monitoring the value-weighted average credit score of their investment portfolios. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Portfolio Average Credit Score	30.09.2022 Actual	2022/23 Target	Complied
Babergh	5.20	7.0	✓
Mid Suffolk	5.35	7.0	✓

1.3 **Liquidity:** The Councils have adopted a voluntary measure of exposure to liquidity risk by monitoring the amount they can borrow each period without giving prior notice.

Total sum borrowed in the past 3 months without prior notice	30.09.22 Actual	2022/23 Target	Complied
Babergh District Council	Nil	£5m	✓
Mid Suffolk District Council	Nil	£5m	✓

1.4 **Interest Rate Exposures:** This indicator is set to control the Councils' exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest was:

Upper impact on Revenue of a 1% increase in rates	30.09.22 Actual	2022/23 Target	Complied
Babergh District Council	£0.014m	£0.015m	✓
Mid Suffolk District Council	£0.059m	£0.073m	✓

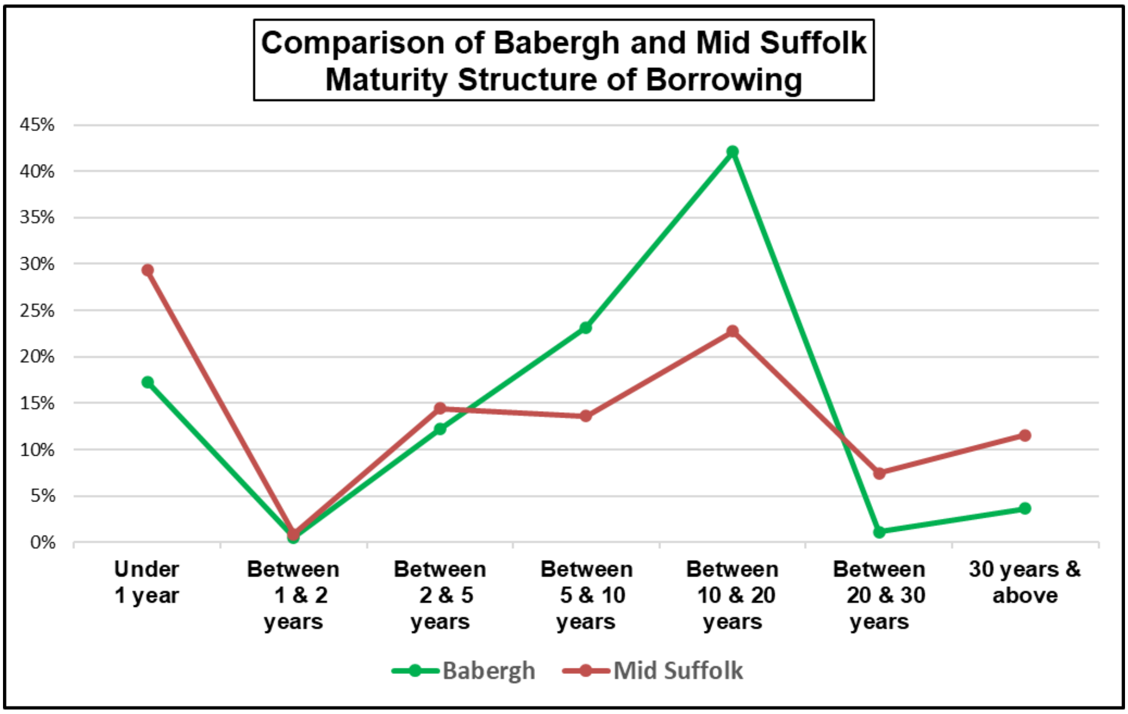
1.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

1.6 **Maturity Structure of Borrowing:** This indicator is set to control the Councils' exposure to refinancing risk. This indicator covers the risk of replacement loans being unavailable, not interest rate risk. The upper and lower limits on the maturity structure of all borrowing are shown in the following table:

1.7 Table to show Maturity Structure of Borrowing:

Age Profile of Maturity	Babergh 30.09.22 Actual	Mid Suffolk 30.09.22 Actual	Lower Limit	Upper Limit	Complied
Under 1 year	17.29%	29.32%	0%	50%	✓
Between 1 & 2 years	0.50%	0.89%	0%	50%	✓
Between 2 & 5 years	12.17%	14.45%	0%	50%	✓
Between 5 & 10 years	23.17%	13.58%	0%	100%	✓
Between 10 & 20 years	42.11%	22.74%	0%	100%	✓
Between 20 & 30 years	1.13%	7.45%	0%	100%	✓
30 years & above	3.63%	11.56%	0%	100%	✓

1.8 Chart to show the Maturity Structure of Borrowing:



1.9 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.10 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Councils' exposure to the risk of incurring losses by seeking early repayment of their investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Actual Principal invested beyond year end	2022/23	2023/24	2024/25
Babergh Actual	Nil	Nil	Nil
Mid Suffolk Actual	Nil	Nil	Nil
Limit on principal invested beyond year end	**£2m**	**£2m**	**£2m**
Babergh Complied	✓	✓	✓
Mid Suffolk Complied	✓	✓	✓

Appendix E

Glossary of Terms

BPS	Base Points. A unit of percentage measure equal to 0.01%. Basis points are commonly used when discussing changes to interest rates, equity indices, and fixed-income securities.
CDS	Credit Default Swap. In effect, insurance against non-payment. Through a CDS, the buyer can mitigate the risk of their investment by shifting all or a portion of that risk onto an insurance company or other CDS seller in exchange for a periodic fee. In this way, the buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the debt security.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CPIH	Consumer Price Index Housing. A measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).
CCLA	Churches, Charities and Local Authority Property Fund
DLUHC	A Government department – The Department for Levelling Up, Housing and Communities (formerly known as the MHCLG)
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which revenue costs are charged for providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
Investec Ninety-One	Investec Ninety-One Diversified Income Fund
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
LVNAV	Low Volatility Net Asset Value. A new type of Low Volatility Net Asset Value Money Market Fund - a new fund category introduced as part of a new regulatory reform of the sector in Europe.

MHCLG	A Government department – The Ministry of Housing, Communities and Local Government
MiFID	The Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). The EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
NAV	Net Asset Value. The NAV is the value of a fund's assets less the value of its liabilities on a per unit basis.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
Schroder	Schroder Income Maximiser Fund
SONIA	Sterling Overnight Index Average. The average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

Agenda Item 10

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: Joint Audit and Standards Committee	**REPORT NUMBER: JAC/21/39**
FROM: Corporate Manager – Internal Audit	**DATE OF MEETING: 28th November 2022**
OFFICER: Corporate Manager – Internal Audit	**KEY DECISION REF NO. N/A**

INTERIM INTERNAL AUDIT REPORT 2022/23

1. PURPOSE OF REPORT

1.1 The purpose of this report is to inform Councillors of the work undertaken within the Internal Audit Service for the first half year, 2022/23 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

2. OPTIONS CONSIDERED

2.1 This is a regulatory report and there are no options to consider.

3. RECOMMENDATIONS

3.1 That the contents of this Internal Audit report, supported by Appendix A, be noted.

REASON FOR DECISION

For the Committee to note Internal Audit's half year report for 2022/23.

4. KEY INFORMATION

4.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit to report periodically to senior management and this Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

4.2 As the Councils' Delivery Programme continues and re-shapes and transforms its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit monitors requests, with a risk-based approach, for the re-allocation of Internal Audit resources from the approved 2022/23 Internal Audit Plan.

4.3 There was due consideration in conducting this year's audits to ensure that Internal Audit maintained its objectivity and independence. As further demonstration of organisational independence, the Corporate Manager – Internal Audit can confirm that there has been no inappropriate scope or resource limitations placed upon him.

4.4 In line with the Councils' Internal Audit Charter the work was conducted to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the work conducted covered the following activities:

- Governance processes
- Monitoring
- Ethics
- Information and Information technology governance
- Risk management
- Fraud management

5. LINKS TO CORPORATE PLAN

The delivery of a comprehensive Internal Audit service supports the strategic priorities within the Councils' Corporate Plan.

5.1 Appendix A provides a summary of the work undertaken under the relevant strategic priorities. This work will contribute to the 2022/23 overall Internal Audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

7. LEGAL IMPLICATIONS

7.1 There are no direct legal implications arising from this report.

8. RISK MANAGEMENT

8.1 This report is not directly linked with any one of the Councils' Significant Risks. The key risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result, each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely 2	Bad 3	Councillors receive and approve the Internal Audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area.

9. CONSULTATIONS

9.1 The 2022/23 Internal Audit Plan was approved by the Joint Audit and Standards Committee on 28th March 2022 (Paper JAC/21/21), having previously been endorsed by the S151 Officer and the Senior Leadership Team.

9.2 As part of the preparation for this Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Corporate Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions.

9.3 During preparation, this report has been shared with both Chairs of the Joint Audit and Standards Committee and the Senior Leadership Team, including the Section 151 Officer and the Interim Director, Law and Governance and Monitoring Officer.

10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications arising from this report.

12. APPENDICES

Title	Location
(a) Appendix A - Overview of Internal Audit Work	Attached

Authorship:

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Corporate Manager – Internal Audit john.snell@baberghmidsuffolk.gov.uk

Appendix A

Overview of Internal Audit Activity, 6 Months to 30th September 2022

1. Introduction

1.1 The work completed by Internal Audit to date for the Financial Year 2022/23 is reported here to the Joint Audit and Standards Committee.

1.2 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017.

2. Internal Audit report with an Adverse Opinion

2.1. The one review that returned an audit opinion on the control environment of "Limited Assurance' at the end of the last financial year (2020/21) where actions were outstanding have been kept under review by audit and, where appropriate, the management actions have been reassessed with the appropriate manager. The status of this follow up audit is reported in Section 5 below together with all the audits undertaken to date.

2.2 As well as conducting audit reviews Internal Audit had significant involvement within the period in a variety of different Council activities, which include:

Section Reference:

3 Council Governance
4 Probity
5 Audits conducted
6 Business support activities

3 Council Governance

3.1 Annual Governance Statement (AGS)

Internal Audit has led on the production of the AGS, which was completed as at the end of the financial year 2021/22 and presented to this Committee on 16th May 2022 (Paper JAC/21/27).

3.2 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting in his capacity as 'Head of Internal Audit' to provide appropriate professional determination on governance matters as they arise.

4 Probity

4.1 Details of the anti-fraud and corruption work undertaken is reported annually to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption.' The 2021/22 report was presented to this Committee on 28th March 2022 (Paper JAC/21/20).

4.2 The data requirements and data specifications for the 2022/23 National Fraud Initiative (NFI) exercise have been upload following the prescribed timetable set using the NFI's secure electronic upload facility. In response to the COVID pandemic business grants details have been added to the exercise and uploaded.

4.3 The release of matches of information across all the contributor's data is managed on a risk-based approach by the system users, supported by Internal Audit. The system users access their data from the NFI and can investigate, in conjunction with the matched partner / contributor, to evaluate the potential fraud or error indicated by the match.

4.4 To strengthen the team's knowledge base around counter fraud and corruption activities the People Programme Board approved the Corporate Manager – Internal Audit's application for the Lead Auditor to undertake the CIPFA Accredited Counter Fraud Technician (ACFTech) qualification. The ACFTech is a comprehensive introduction to counter fraud. The course examines the impact of fraud in the UK and includes an overview of the civil and criminal justice systems. It focuses on fraud awareness, how to gather evidence and how to obtain information without prejudicing any later investigation.

It also provides a solid grounding for those who wish to go on and study the CIPFA Accredited Counter Fraud Specialist (ACFS) qualification.

4.5 To help combat fraud and corruption activities the Internal Audit team have produced and issued a Money Laundering presentation to all Corporate Managers aimed at raising awareness of the risks associated with the Councils' business.

As the Councils' Money Laundering Reporting Officer (MLRO), the Corporate Manager for Internal Audit will be working with HR and OD to ensure that this area of learning is included within the Induction Programme for all relevant posts.

5 Audits Conducted

5.1 In line with the 2022/23 Internal Audit Plan, reporting of outcomes is associated with all the Councils' strategic priorities. Both audits in progress and completed are reported below, with the latter given with their associated audit opinion on the control environment.

5.1.1 Health of the Organisation

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Contract Management	The review built on the work undertaken by East of England Local Government Association and their report in 2022. It considered the framework and arrangements for procurement and contract management, focusing on highlighting best practices for the management of contracts across the sector. Note: The audit scope has been extended to include a review of contract spend, which will be undertaken later in the year.	○ A general lack of coordination and central responsibility for ensuring contract management is carried out. ○ Failure to provide adequate training for those staff responsible for managing contracts. ○ Failure to centrally house and control contract management information. ○ Contracts are not let in accordance with procurement regulations, leading to risks to	○ There is no agreed Performance and Contract Management Framework that outlines overarching responsibility, scrutiny and oversight. ○ The documentation in place would benefit from review, update, rationalisation and simplification. Example documents from other councils are provided to support this work. ○ Governance around managing the procurement, exemptions	Undertaken as 'Consultancy work' at the request of the Director – Corporate Resources. Further work around contract spend planned during 2022/23.

		reputation and poor value for money. ○ Lack of robust contract and performance management results in a risk that services are not of high quality and do not offer value for money.	and conflicts of interest requires review and enhancement. ○ There is not a formal process to ensure that off contract spend is identified and the need for formal contract documentation is considered and addressed. Good practice identified: ○ There is considerable experience and good practice that has been developed by individual Managers. This can be built upon to establish the required Framework. ○ The Councils have agreed an action plan to implement recommendations from the East of England Local Government Association (EELGA). Implementation of both the EELGA and Internal Audit recommendations will significantly improve the Councils' Procurement and Commissioning functions Management have accepted all the recommendations and advised that implementation will be prioritised in the Procurement Transformation Plan and that additional resources are to be recruited to drive the transformation.	
General Ledger	To review the controls in operation in both the structure and management of the operating system and the associated key reconciliations between the host and feeder systems to ensure that posting accuracy and financial integrity are assured.	Control accounts and reconciliations are mismanaged or ineffective and mis-posting may go unnoticed.	○ Reconciliations of the principal control accounts were at the time of testing found to be performed regularly and on a timely basis, however, they there was no secondary check to ensure their accuracy. ○ Management information reporting through the S151 Report continues to be produced although there is no evidence of management oversight. Management have accepted the recommendations and advised that a review of the whole process around these reconciliations will be undertaken as part of the finance transformation, implementation of balance sheet monitoring and new the finance management system.	Limited Assurance – Follow Up to be undertaken during 2022/23.

5.1.2 Community

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Planning Enforcement – Follow Up – May 2022 and September 2022.	To review the prioritisation of limited resources, ensuring the prompt completion of prioritised investigations and referrals, and that case sign-off's have been correctly exercised.	• Policies and Procedures - Guide/flowchart is not adhered to • Staff unclear of their responsibilities • DMS/Uniform is not used to its full potential or purpose • Performance (Monitoring and Reviewing) - Non-compliance with guide/flowchart, abnormal activity may go undetected and key targets missed	The initial work in November 2021 resulted in an audit opinion of 'Limited Assurance', resulting in a Follow Up audit in May 2022. The findings showed that two of the agreed recommendations, namely, ○ It is not clear from testing whether allocated caseloads are balanced in terms of quantity and complexity. There was no strong correlation between missed case	Substantial Assurance

			deadlines and officer professional grade. ○ Guidance on the workflow for officers needs to be developed and the significance of key controls explained to officers in the team. had not been fully implemented and a further concern had been identified relating to the performance management data. The audit opinion therefore remained and another Follow Up audit was carried out in September 2022. The results of this work showed that all recommendations and the concern over the performance data had been addressed, raising the audit opinion to 'Substantial Assurance' Good practice identified: ○ Although the introduction of the process flowchart requires further work the Planning Enforcement service area deserves credit for pursuing a transformational approach to embed more efficient and effective working processes.	
Covid-19 Business Support Grant Schemes	To ensure that the prescribed criteria in terms of eligibility is met and provide assurance in administrating the various grant funding grants.	○ Submission of fraudulent applications. ○ Submission of third-party fraudulent applications.	○ Work on-going – regular completion and submission of the Councils' priority reconciliation or assurance returns to the Department for Business, Energy and Industrial Strategy (BEIS).	
National Test and Trace Government Funding and Contain Outbreak Management Fund (COMPF)	Purpose of the grant review is to ensure that expenditure is lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19.	○ Failure to comply with the prescribed conditions will result in either the grant being reduced, suspended or being withheld. ○ Any expenditure that fails to comply with the prescribed conditions shall immediately become repayable to the Minister of State.	The conditions attached to the Test and Trace Grant Determination No. 31/5075 and the COMPF Determination No. 31/5518 have both been complied with.	Prescribed declarations have been presented to the Ministry for Housing, Communities and Local Government.
Safeguarding	Added to the audit work plan at the request of the Director for Law and Governance - The audit focussed on the legislative duty of the Councils to ensure that their functions, and any services that they contract out to others, have the necessary arrangements in place to help and protect children and adults at risk of abuse or neglect.	○ Safeguarding incidents undermine residents' safety and wellbeing. ○ Lack of staff and member awareness results in a failure to act. ○ Failure of the Councils to meet statutory responsibilities leads to regulatory sanction.	Work in Progress – due to be completed by end of November 2022.	-

5.1.3 Housing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
Disabled Facilities Grants	This audit focused on the administration function to ensure grants are awarded in accordance with the Councils' criteria and the conditions set by Central Government.	Funding is not given to the correct people, meeting the correct criteria, or reclaimed appropriately.	The conditions attached to the Disabled Facilities Capital Grant Determination (2021-22) No [31/5515] have been complied with.	Prescribed declaration presented to the Ministry for Housing, Communities and Local Government via the administrating

				authority, Suffolk County Council.
Council house rent setting	To ensure that the Councils' rent-setting processes are robust so that rents are set correctly, both initially and at re-let, and are increased or decreased in line with requirements with changes adequately reflected in the rent setting processes.	○ The Councils' approach to rent setting is not consistently applied, unfair and lacks transparency. ○ The rents set are not accurately calculated and applied in accordance with the approved policy. ○ Rent increases are not implemented promptly and accurately.	Work in Progress – due to be completed by end of November 2022.	-
Council house letting	To ensure that the current systems and processes in place for tenancy lettings, allocations and assessments are robust, and operating effectively in line with regulatory standards. The audit will also provide management with assurance that the allocation of housing accommodation is only given to persons who are qualified to receive housing from the Councils.	○ The housing allocations policy is out of date and not fit for purpose. ○ The allocations process is not consistently applied in line with the approved policy. ○ Accommodation is given to persons who do not qualify for Council housing. ○ Fraudulent housing applications are submitted to gain council accommodation.	Work in Progress – due to be completed by end of November 2022.	-

5.1.4 Customers and Wellbeing

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
PCIDSS (Payment Card Industry Data Security Standards)	To provide assurance that the systems of control in respect of the latest PCIDSS is effective and consistently applied.	○ Non-compliance with the PCI DSS, leading to the imposition of fines, increased transaction charges, or suspension of ability to process card payments. ○ Equipment, systems or web links may be manipulated, leading to fraud or cardholder data being compromised, imposition of fines, increased transaction charges, or suspension of ability to process card payments.	Work in Progress – due to be completed by end of November 2022.	-

5.2 In undertaking this work there was due consideration to ensure that Internal Audit maintained its objectivity and independence. The prioritisation of work took account of the requirements of the approved audit plan.

Objectivity was maintained in that the auditors had no personal or professional involvement with or allegiance to the area audited. The determination of appropriate parties to which the details of an impairment to independence or objectivity is disclosed was dependent upon the expectations of the activity and was expressed during the planning of each audit.

Each auditor signs an annual declaration of interest.

6 Business Support Activities

6.1 Until recently Internal Audit have been part of the Councils' Tactical Management Team responsible for managing emerging risks and directing resources to help ensure critical services are maintained across the two districts. Their professional insight is now called upon when required.

6.2 A member of the Internal Audit team is supporting the Councils' Business Cell by providing assurance over the administering of the various business grants schemes announced by Central Government. The work includes ensuring that the prescribed criteria in terms eligibility is correctly applied and met and managing the risk of fraud using available digital assurance tools, such as 'Spotlight' and the National Fraud Initiative platform and assisting in the preparation of mandatory returns to Central Government.

7 Resources

7.1 The work of Internal Audit continues to be resourced from existing staff and from an external partner. This arrangement still allows a direct internal provision plus the commissioning of external skills and capacity and provides a blend of resources from within the Councils and from an external partner of services.

7.2 The external partner arrangement also provides access to valuable and diverse skills as needed and achieves a level of flexibility which can be critical in effectively dealing with a range of operational issues.

8 Professional Practice

8.1 <u>Membership of audit bodies</u>

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs), the Midland Audit Group and more recently the Local Authority Chief Auditors Network (LACAN).

8.2 <u>Public Sector Internal Audit Standards (PSIAS)</u>

The team has fully reviewed their working practices to ensure that the Internal Audit documents and processes comply with, and can be evidenced to, the PSIAS. This has resulted in a refining of the Internal Audit Charter Strategy, Internal Audit Services Manual, Internal Audit Risk Log, Quality Assurance and Improvement Programme, procedure notes and working papers. These documents are published on the Councils' intranet, 'Connect,' and remain subject to regular review.
After this exercise, any actions arising from the review are materially implemented with any significant actions being reported to the Joint Audit and Standards Committee.

8.3 <u>Independence</u>

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.

9 Conclusions

9.1 The Corporate Manager – Internal Audit considers that there are no additional audit related issues that currently need to be brought to the attention of this committee.

Draft Circulation:

Dave Muller Chair of the Joint Audit and Standards Committee – Mid Suffolk
Bryn Hurren Chair of the Joint Audit and Standards Committee – Babergh
Melissa Evans, Director of Corporate Resources
Ifty Ali, Interim Director for Law & Governance and Monitoring Officer
Senior Leadership Team

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Agenda Item 11

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

TO: Joint Audit and Standards Committee	**REPORT NUMBER: JAC/21/40**
FROM: Corporate Manager – Governance & Civic Office	**DATE OF MEETING: 28 November 2022**

JOINT AUDIT AND STANDARDS COMMITTEE FORWARD PLAN

Date of Committee – 28 November 2022

Topic	Purpose	Lead Officer
Risk Management Improvement	To note	Interim Corporate Manager – Strategic Policy, Performance and Insight
Annual Complaints Monitoring report	To note	Monitoring Officer
Half Year Report on Treasury Management 2022/23	To note and make Recommendations to both full Councils	Corporate Manager – Financial Services
Internal Audit Half Yearly Report 2022/23	To note	Ernst and Young

Date of Committee – 30 January 2023

Topic	Purpose	Lead Officer
Joint Capital, Investment and Treasury Management Strategies 2023/24	To note and make Recommendations to both full Councils	Corporate Manager – Financial Services
Statement of Accounts and Auditors Report 2020/21	To approve the final audited Statements of Accounts and the joint external auditor's report for 2020/21	Corporate Manager – Financial Services, Commissioning and Procurement
Complaints Monitoring report	To note	Monitoring Officer

Date of Committee – 27 March 2023

Topic	Purpose	Lead Officer
Managing the Risk of Fraud and Corruption - Annual Report	For comment and agreement	Corporate Manager – Internal Audit
Internal Audit Plan 2023/24	For comment and agreement	Corporate Manager – Internal Audit
Complaints Monitoring report	To note	Monitoring Officer

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