



Audit and Governance Committee

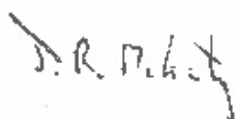
Meeting: Monday, 17th July 2023 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Wilson (Chair), Gravells MBE (Vice-Chair), Bowkett, Brooker, Durdey, Morgan, Patel and Pullen
Contact:	Democratic and Electoral Services 01452 396127 democratic.services@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence
2.	APPOINTMENT OF CHAIR AND VICE-CHAIR To confirm the appointment made at the Annual Meeting of Council of Councillor Wilson as Chair and Councillor Gravells as Vice-Chair of the Committee.
3.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or nonpecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
4.	MINUTES (Pages 7 - 10) To approve as a correct record the minutes of the meeting held on 6 March 2023
5.	PUBLIC QUESTION TIME (15 MINUTES) The opportunity is given to members of the public to put questions to the Committee provided that a question does not relate to: • Matters which are the subject of current or pending legal proceedings or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers. To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by 12pm on Wednesday 12 July 2023 or telephone 01452 396203 for support.
6.	PETITIONS AND DEPUTATIONS (15 MINUTES) A period not exceeding three minutes is allowed for the presentation of a petition or deputation provided that no such petition or deputation is in relation to: • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings

7.	REVIEW OF S. 106 AGREEMENTS – FINAL REPORT (Pages 11 - 24) To receive the report of the Corporate Director concerning the operation and management of s. 106 agreements.
8.	ANNUAL RISK MANAGEMENT REPORT 2022/23 AND STRATEGIC RISK REGISTER (Pages 25 - 58) To consider the report concerning risk management activity for 2022-23.
9.	DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23 (Pages 59 - 78) To consider the report of the Head of Audit, Risk and Assurance in respect of Governance matters in the preceding financial year.
10.	ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE (Pages 79 - 92) To consider the Chair's annual report.
11.	ANNUAL AUDIT PLAN 2023-24 (Pages 93 - 102) To receive the proposed Audit Plan for 2023-24.
12.	ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2022-23 To receive a verbal update ahead of the full report being presented at September Committee.
13.	INTERNAL AUDIT ACTIVITY PROGRESS REPORT (Pages 103 - 122) To receive the quarterly update.
14.	TREASURY MANAGEMENT ANNUAL REPORT 2022/23 (Pages 123 - 134) To consider the report of the Cabinet Member for Performance and Resources and Resources seeking Members to note treasury management activities for the period 1st October 2022 to 31st March 2023, prudential indicators, interest rate forecasts and an overview of the financial year 2022-23.
15.	AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 135 - 138) To receive the work programme.
16.	DATE OF NEXT MEETING Monday 11 September 2023 at 6.30pm



Jon McGinty
Managing Director

Date of Publication: Friday, 7 July 2023

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

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Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.



AUDIT AND GOVERNANCE COMMITTEE

- MEETING** : Monday, 6th March 2023
- PRESENT** : Cllrs. Wilson (Chair), Gravells MBE (Vice-Chair), Brooker, Bowkett, Morgan and Pullen

Others in Attendance

Cllr. Norman (Ex-Officio)
Monitoring Officer
Director of Policy and Resources
Financial Services Manager
Accountancy Manager
Head of Audit, Risk and Assurance
Democratic and Electoral Services Team Leader

- APOLOGIES** : Cllrs. Patel and Durdey

47. DECLARATIONS OF INTEREST

There were no declarations of interest.

48. MINUTES

49. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

50. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

51. ANNUAL AUDIT LETTER 2023/23

- 51.1 The Financial Services Manager advised that the external auditor was yet to finalise the accounts. Amendments had been received which related to changes in the categorisation of some assets. The Chair explained that the delay was partly due to their being a CIPFA consultation. The Finance Team anticipated that the accounts for 2020/1 could be ready for sign off very shortly and that work for the following financial year would commence in September.

AUDIT AND GOVERNANCE COMMITTEE
06.03.23

51.2 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the update.

52. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2022/23

52.1 The Head of Audit, Risk and Assurance introduced the report and outlined that there were two summaries related to the Guildhall contained within it. One related to the grants process and the second related to the certification of grants received. He also detailed that there was an update on the National Fraud Initiative.

52.2 The Chair commented that both audits were positive. He noted that there had been an interim grant payment of £142k. Attached to this grant was a condition that the Council be instructed on how to account for the funds. In response to his query as to whether this was common practice. The Head of ARA confirmed that it was.

52.3 The Chair asked, given that some audits were delayed because of cyber issues, was the Council still in a recovery phase. The Head of ARA confirmed that some were and would provide further detail on this. Some could progress and he also advised that ARA was seeking increased resource.

52.4 In respect of the Guildhall grant, Councillor Morgan if the target date of February 2023 to introduce a first line of defence monitoring control to check on the financial status and stability of recommended contractors for contracts worth more than £10,000 had been met. The Head of ARA stated that he would confirm this in due course.

52.5 Councillor Pullen noted that, whilst the Overview and Scrutiny Committee had heard that good progress had been made on the statues and monuments review, he queried why the audit of this piece of work had been deferred. The Head of ARA advised that this would be a piece of consultancy work and that, as Terms of Reference had not yet been produced, it would be considered for next year's plan.

52.6 With regard to the carbon audit being deferred, Councillor Pullen asked whether this was because the climate change action plan had not yet been produced. The Director of Policy and Resources advised that as the plan was still being drawn up, such an audit could not commence.

52.7 **RESOLVED that:-** The Audit and Governance Committee:

- i. Accept the progress against the Internal Audit Plan 2022-23; and
- ii. Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).

53. UPDATE ON REVIEW OF THE MANAGEMENT OF S. 106 AGREEMENTS

AUDIT AND GOVERNANCE COMMITTEE
06.03.23

53.1 The Director of Policy and Resources informed the Committee that Senior Management would be considering the progress of the review very soon and that a draft report was imminent. He confirmed to the Chair that the intention was that the final report would be before Committee in July and would contain recommendations.

53.2 The Chair asked if identifying already existing agreements would be part of the work. The Director of Policy and Resources stated that he was confident nothing had been lost and that all agreements could be reconciled.

53.3 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the update.

54. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

54.1 It was anticipated that the accounts for 20/21 would be ready for consideration at the July Committee meeting and that Deloitte's would be in attendance. New CIPFA guidance would be issued shortly and would be circulated to the Committee.

54.2 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the Work Programme.

55. DATE OF NEXT MEETING

Monday 17 July at 6.30pm

Time of commencement: 6.30 pm hours

Time of conclusion: 7.05 pm hours

Chair

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Update on S106 Review for the Audit and Governance Committee

17.07.23

Following ARA's review and recommendations to improve S106 processes and governance within the Council and external review was undertaken. The purpose of the review was to review the processes within the council and across teams, review and reflect on best practice and where improvements could be made and make recommendations.

Appendix 1 is an action plan which takes into account the observations made by ARA, the recommendations resulting from the review and the actions for Officer to deliver improvements.

The observations and recommendations broadly cover the following themes:

- Oversight and governance
- Staffing
- Systems
- Reporting
- Policy

Decisions have been taken to ensure the following:

- Oversight of the process, monitoring and reporting sits in one place- with the Head of Place
- Once information is fully up to date reports will be shared with the Planning Committee on a bi-annual basis (due to the low and reducing number of S106 Agreements).
- Quarterly information will be reviewed by SMT.
- Exacom will be the primary system used for recording, monitoring and reporting and links to the finance system will be explored.
- Two part time Officers will replace the previous one full time Officer- one in Planning and one in Open Spaces.

The action plan is comprehensive and will be regularly reviewed by the working group which includes those named on the action plan. The first priority is to appoint staff to enable work on delivering improvements to begin and the first member of staff has been appointed, with a start date to be confirmed following pre-employment checks.

Target dates will be added to the action plan, following the next meeting of the working group.

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Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
1	<p>There are currently multiple owners and 'hand offs' of the S106 process, blurring ownership and accountability responsibilities.</p> <p>[Clarification: the reference to "hand offs" is a reference to handovers of information and responsibility within the 106 Process]</p> <p>The previous Head of Place indicated that a review would be undertaken to examine utilising the CIL team to manage S106 agreements to be completed by June 2021. However, there was no evidence provided to confirm this review was completed.</p>	Lack of effective governance arrangements resulting in developer contributions not being collected promptly and mismanagement of S106 developer contributions.	High	<p>A review of the ownership and governance arrangements for S106 agreements should be completed. This should determine who is the overall owner(s) responsible for the maintenance and management of all S106 agreements, including subsidiary responsibilities for the various elements of the process. Following completion of the review the findings should be implemented.</p> <p>Developer contribution spend and adoptions should remain with the appropriate service areas (with the relevant expertise) but managed through Exacom.</p>	<p>Overall responsibility for S106 now sits with the Head of Place.</p> <p>Recruitment has commenced for the Open Spaces Officer who will oversee the delivery and completion of current and planned S106 projects in open spaces.</p> <p>Planning for the recruitment of the admin role is in progress.</p> <p>Quarterly reports will be developed once these staff are in post and reviewed by the Senior Management Team.</p>	<p>David Oakhill</p> <p>Mark Graham</p> <p>Ruth Saunders/ David Oakhill</p> <p>S106 Monitoring Officer and David Oakhill</p>	<p>Completed</p> <p>Officer starts 24th July</p> <p>Aiming for September 2023 start</p> <p>December 2023 Planning Committee</p>
2	Exacom is a dedicated and specialist system for	Records held and maintained	High	Exacom should be nominated the priority	Recruitment of a temporary resource to	David Oakhill	September 2023

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
Page 12	<p>the administration of S106 agreements and CIL.</p> <p>The previous Head of Place anticipated that all S106 agreements, which were being administered on spreadsheets, would be updated, and managed on Exacom by June 2021. This was not completed by the time the cyber incident occurred and therefore the Exacom system S106 records are incomplete.</p>	<p>by the Council are not complete resulting in return of developer financial contributions or planning improvements not implemented.</p>		<p>system for the administration of S106 agreements and fully utilised.</p> <p>The use of spreadsheets, which can be manually intensive and have a heightened risk of data inaccuracy including a lack of an effective audit trail, should be stopped.</p> <p>Work should be undertaken to identify all operating S106 agreements (both financial and non-financial) and to update the appropriate information into the Exacom system.</p>	<p>complete data loading was not agreed as we would prefer to recruit one officer to do this and then manage the administration of the data going forward. This will be more efficient in the long run and require less down time due to training different staff.</p> <p>Exacom will be the system used by the s106 Monitoring Officer and for reporting and staff will be trained in its use.</p>		
	3	<p>Regular reconciliations between the S106 Officer spreadsheet to Uniform, Exacom, HP&STL and general ledger records were not performed before or after the cyber incident.</p> <p>A review by Internal Audit of the S106 Officer</p>	<p>Ineffective management of S106 agreements resulting in planning improvements not being implemented, adverse</p>	High	<p>As a minimum, quarterly reconciliations should be completed between Exacom, Uniform and the general ledger to confirm all records agree.</p> <p>The reconciliations should be subject to management review and sign off.</p>	<p>Now that the finance system is back up and running, we will look at opportunities to link to Exacom.</p>	Greg Maw

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
	spreadsheet to Exacom, general ledger and Team Leader records highlighted discrepancies relating to the agreements recorded, the developer contributions and expenditure. In addition, the S106 Officer confirmed to Internal Audit that his spreadsheet was not fully up to date and did not include non-financial S106 agreements.	publicity, and financial shortfalls.					
4 Page 13	<p>A sample of seven S106 agreements was reviewed by Internal Audit to confirm the:</p> <p>Calculated developer contributions were correct against approved published charges;</p> <p>Calculations were fully documented; and</p> <p>Final agreed contributions were agreed and</p>	Unauthorised or incorrect charges are applied resulting in financial losses or an adverse impact on the community due to a reduction in the developer's obligations.	High	<p>Once the planning and document management systems have been successfully restored, management should provide Internal Audit with details of the developer contributions calculations and figures (including the monitoring fee).</p> <p>Documentary evidence of management review and approval should also be provided.</p>	Agreed, and this information will be included in reporting to SMT and Committee.	S106 Monitoring Officer and David Oakhill	By December 2023

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
	<p>approved by management.</p> <p>At the point of this audit, officers were unable to provide Internal Audit with full details of the calculations of the developer contributions due to the cyber incident.</p>						
5	<p>Effective and robust management oversight and monitoring of the performance and status of S106 agreements was not evident through the audit trail provided.</p> <p>Internal Audit identified the following:</p> <p>The S106 Officer spreadsheet highlighted six agreements where the deadline for spending developers' contributions</p>	<p>Ineffective management oversight resulting in overspend and return of developer contributions due to deadlines being passed.</p>	High	<p>Management should at least quarterly obtain summary information of the status and position of all operating S106 agreements to confirm effective monitoring and that developer obligations are being fulfilled.</p> <p>In addition, a review of developer contributions spend should be undertaken to confirm deadlines are being met, there are no overspends and, where appropriate, developer money is returned.</p>	<p>A S106 report template will be developed which will include current and outstanding S106 agreements and funds to ensure that deadlines are being met, there are no overspends and that underspends are identified quickly.</p> <p>The Senior Management Team will receive and discuss quarterly S106 reports.</p> <p>The Head of Place will prepare 6 monthly</p>	<p>S106 Monitoring Officer</p> <p>SMT</p> <p>David Oakhill</p>	<p>September 2023</p> <p>October 2023</p> <p>December 2023</p>

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
Page 15	<p>(approximately £220k) had passed;</p> <p>There were three S106 agreements where the Council had, in total, spent more than the developer had been committed to provide by approximately £50k;</p> <p>The S106 agreement spreadsheet did not fully detail the follow-up and actions taken by the S106 Officer with the developers to establish the status of the developments and therefore whether contributions were due;</p> <p>A developer approved a S106 agreement with the Council in September 2015. [The developer] agreed to pay a contribution of £75,000 (index linked) over a period of six</p>			<p>Consideration should be given to providing the Planning Committee with a half yearly report of the status of all S106 agreements.</p>	<p>reports to the Planning Committee initially. This may then become annual in line with other reporting.</p>		

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
Page 16	<p>years commencing from the date of development commencement. As at the point of this audit no contributions have been received despite [the developer] agreeing in July 2022 to commence making payments in instalments; and</p> <p>Developer's contributions for three S106 agreements totalling approximately £85k for affordable homes received in 2018 have not yet been spent as no suitable schemes have been identified.</p>						
6	<p>Planning protocol states that S106 agreements <i>'should normally include clauses stating when and how funds will be used by and allow for their return, after an agreed period of time, where they are not'</i>.</p>	<p>Developer contributions are spent after the deadline resulting in claims from the developer for refunds and</p>	Medium	<p>The Council should fully comply with the Planning protocol and always record deadlines in the S106 agreement.</p>	<p>Training is being sourced to ensure appropriate knowledge of S106 legislation across the organisation.</p>	Ruth Saunders	December 2023

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
Page 17	<p>A deadline for spending the developer contributions is not always recorded in the S106 agreement. Where no deadline date has been determined, the S106 Officer advised Internal Audit that he applies a five-year period whereas the Team Leader applies 10 years. However, Internal Audit was unable to establish where either of these periods were formally stated and approved.</p> <p>A review by Internal Audit of the S106 Officer spreadsheet highlighted that there are six S106 agreements where the deadline for spending the developer contributions has passed (total value of approximately £220k).</p>	additional costs to the Council.		<p>The Council should obtain clarification from One Legal, where no deadline has been detailed in the S106 agreement, as to the Council's position and obligations so that existing agreements can be managed accordingly.</p>	<p>Clarification from One Legal has been requested.</p>	Ruth Saunders	August 2023
				<p>The Council should review the S106 Officer records to confirm for the identified cases, that the deadlines have passed and if proven, return the monies after taking advice from One Legal.</p>	<p>The identified cases will be included in the reporting of S106 for SMT and Planning Committee with information relating to action taken.</p> <p>A policy will be developed which includes the management of and charging arrangements for S106.</p>	David Oakhill	December 2023
7	Since 2019 the Council charges developers a fee	Service area is not credited with	Medium	The Council should undertake the appropriate	A policy will be developed which	Adam Gooch	December 2023

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
Page 18	to monitor compliance with the S106 agreement. As at the point of the audit, monitoring fees of approximately £7k have been charged and received by the Council. These fees have been posted to the developer contributions balance sheet account rather than the appropriate service areas' cost centre to support the staff costs of managing S106 agreements.	appropriate income resulting in budgetary pressures and a reduction in service delivery. Monitoring fees are absorbed into project costs resulting in an overspend of developer contributions and a reduction in Council income.		accounting adjustments from the S106 balance sheet general ledger account for monitoring fees.	includes the management of and charging arrangements for S106. Finance to confirm they have made the accounting adjustments to ensure consistency of reporting and monitoring of funds.	Greg maw	December 2023
	8	The Land Charges register is not updated to reflect the developer's discharge of their S106 agreement obligations.	Incomplete records at held by the Council.	Medium	The Council should update the Land Charges register to reflect the discharge of a developer's obligations following agreement from management that they have successfully completed the requirements of the S106 agreement. This should then be maintained going forward	A review of the Land Charges Register will be undertaken to ensure an accurate reflection of developer obligations. Exacom will be used for monitoring and reporting and include historical cases where	S106 Monitoring Officer S106 Monitoring Officer

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
				and as a minimum, a quarterly reconciliation should be undertaken between the two systems to confirm agreement. The completed reconciliations should be subject to management review and formal approval.	there is still unspent S106 or ongoing work.		
9 Page 19	The Council introduced S106 monitoring fees for developers from September 2019 following publication of the Government Planning Obligations guidance. This monitoring fee has not been included in the Council's Fees and Charges schedule approved by Members.	Incorrect or unauthorised fees are charged.	Medium	Monitoring fees and design and management fees (if proven to be applied) should be recorded on the Council's Fees and Charges schedule and subject to annual review and approval by Members.	A policy will be developed which includes the management of and charging arrangements for S106.	Adam Gooch	December 2023
10	A review by Internal Audit of the Council's 2020-21 IFS was undertaken to confirm the S106 agreements data was published in accordance with the Community	Incorrect S106 agreement information is published resulting in censure and	Medium	The Council should clearly record the value of monitoring fees collected from developers on the 2021-22 IFS and subsequently thereafter.	A policy will be developed which includes the management of and charging arrangements for S106.	Adam Gooch	December 2023

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
Page 20	<p>Infrastructure Levy regulations (2010).</p> <p>Monitoring fees are required to be separately documented on the IFS. This was not undertaken for 2020-21 (monitoring fees total – approximately £10k).</p> <p>A difference was noted in the 2019-20 carried forward figures for retained developer contributions of £1,724,283.73 to that brought forward to the 2020-21 IFS of £1,659,129.53.</p>	adverse publicity.		The Council should ensure for future IFS, carried, and brought forward figures agree.	Monitoring fees will be separately documented on the 2022-23 IFS.	Paul Hardiman	September 2024
	11	<p>One operational risk relating to S106 agreements has been documented, which is in the Waste Recycling and Streetscene service area.</p> <p>The operational risk relates to inadequate staff resources to manage land</p>	Risks to the service are not managed resulting in financial, regulatory, reputational, and adverse publicity exposure.	Medium	<p>The Council should establish ownership of the S106 agreements process (see recommendation 1 above).</p> <p>A full review of the S106 process should be undertaken and the risks and mitigating controls</p>	Agreed, this work has begun and will continue as we implement these actions.	Ruth Saunders and David Oakhill

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Actions for GCC	Owner	By when
	adoptions and S106 agreements. There are other risks relating to S106 agreements, for instance, developer contributions not being spent by the deadline and incomplete record of S106 agreements.			identified. The risk register should then be updated. In addition, the risk appetite should also be documented particularly where risks are accepted.			December 2023
12	Following the adoption of the Gloucester City Plan in January 2023, the City Council is collecting developer contributions for mitigation of European protected sites and Biodiversity Net Gain.	Needs to be a clear audit trail for the collection of spending of contributions,	Medium	Continue working with One Legal to ensure appropriate legal mechanisms are in place for the collection and spending of contributions.	Continue with current approach.	Adam Gooch and Jon Bishop	Ongoing

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Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	17th July 2023
Subject:	Risk Management Annual Report 2022/23		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget or Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel: 01452 328883	
	piyush.fatania@gloucestershire.gov.uk		
Appendices:	Appendix 1 - Risk Management Annual Report 2022/23		
	Appendix 2 - Strategic Risk Register		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The Audit and Governance Committee's role (as per the Constitution) includes the function to 'monitor the adequacy and effectiveness of the Council's governance arrangements'. This includes 'monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council'.
- 1.2 This report is designed to assist the Committee in the exercise of this function. Providing Members with an update on the Council's risk management activities from 2021/22 and future planned actions.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:
- i. Note and endorse:
 - The risk management arrangements in place for the past year (2022/23); and
 - The planned risk management arrangements for 2023/24.
 - ii. Agree that on the basis of the information set out in this report, it can be concluded that arrangements for managing risk within the Council are sound.

3.0 Background and Key Issues

- 3.1 'Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives' – ALARM, the public risk management association.

- 3.2 The Accounts and Audit Regulations 2015 (part 2 paragraph 3) state a relevant Council 'must ensure that it has a sound system of internal control which...includes effective arrangements for the management of risk'.
- 3.3 Risk management is a key part of the Council's corporate governance framework and internal control environment. It is one of the seven core principles within the Council's Code of Corporate Governance – 'managing risks and performance through robust internal control and strong public financial management'.
- 3.4 The Council recognises the importance of effective risk management. That it is essential for good governance and sound internal control within a public body. Also, its positive contribution to the delivery of successful strategic and service level outcomes.
- 3.5 The previous Risk Management Annual Report was presented to Audit and Governance Committee in March 2022.
- 3.6 The Risk Management Annual Report 2022/23 is attached at **Appendix 1**. It supports the risk management work, advice and support (provided by ARA), delivered during the year.

4.0 Social Value Considerations

- 4.1 There are no social value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

- 5.1 There are no environmental implications as a result of the recommendations made in this report.

6.0 Alternative Options Considered

- 6.1 No other options have been considered.

7.0 Reasons for Recommendations

- 7.1 A Risk Management Annual Report and Action Plan are required to support the Audit and Governance Committee function to 'monitor the adequacy and effectiveness of the Council's governance arrangements'.

8.0 Future Work and Conclusions

- 8.1 A Risk Management Action Plan has been developed for 2023/24 with the goal to further embed risk management within the Council. The Action Plan is included, as an **Appendix 1**, to the Annual Risk Management Report 2022/23

9.0 Financial Implications

- 9.1 There are no direct financial implications arising from the report recommendations.

(Financial Services have been consulted in the preparation this report).

10.0 Legal Implications

- 10.1 None specifically arising from the report recommendations.
- 10.2 It is fundamental that the Council has an embedded risk management framework (including a Risk Management Strategy). The framework should consider the identification, recording and management of risks to the Council in the delivery of its priorities and objectives.
- 10.3 The existence and application of an effective Risk Management Strategy assists prudent decision making. Failure to identify and manage strategic risks could lead to inappropriate decision making, unnecessary liability and costly legal challenge.

(One Legal have been consulted in the preparation this report).

11.0 Risk and Opportunity Management Implications

- 11.1 Failure to deliver on effective risk management, particularly during periods of significant change, may have a negative effect. This may impact the achievement of potential opportunities and adversely affect the assets, reputation and objectives of the council, strategic decision making and the wellbeing of our stakeholders.

12.0 People Impact Assessment (PIA) and Safeguarding:

- 12.1 A PIA is not required.

13.0 Community Safety Implications

- 13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

- 14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Background Documents: [Accounts and Audit Regulations 2015](#)
CIPFA and Solace Delivering Good Governance in Local Government: Framework 2016 Edition
[Council's Constitution](#)
[Public Sector Internal Audit Standards 2017](#)

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RISK MANAGEMENT ANNUAL REPORT - 2022/23

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1. Background

- 1.1 It is important for councils to identify and manage their risks. This view is reinforced by public sector legislation, such as the Accounts and Audit Regulations 2015. National Standards, including ISO31000:2018 Risk Management Principles and Guidance, also explicitly reference council risk management arrangements.
- 1.2 Risk management is the systematic identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objectives of an organisation.
- 1.3 It enables Gloucester City Council (the Council) to effectively manage strategic decision making, service planning and delivery to safeguard the well-being of its stakeholders. The likelihood of achieving outcomes is also increased.
- 1.4 Effective risk management is an essential element of good management and a sound internal control system. Risk management being a key contributor to good governance and the Annual Governance Statement (AGS).
- 1.5 Risk management principles for the Council are contained within the Constitution and are further defined within the Council's Risk Management Policy Statement and Strategy 2020-2023. This includes roles, responsibilities and accountabilities for risk management across the Council, which include (but are not exclusive to):
 - i. Cabinet;
 - ii. Audit and Governance Committee;
 - iii. Corporate Directors;
 - iv. Heads of Service; and
 - v. Service Managers.
- 1.6 As part of the defined risk management approach, Audit Risk Assurance (ARA) supports the implementation and facilitation of effective risk management arrangements across the Council.

2. Frameworks

- 2.1 Details of the risk management framework are included in the Risk Management Policy Statement and Strategy 2020-2023, available on the Council intranet (GlosNet).
- 2.2 In summary, key responsibilities are as follows:
 - i. Lead Committee for risk management – the Audit and Governance Committee.
 - ii. Lead Member responsible for risk management – Chair of the Audit and Governance Committee.
 - iii. Senior Management responsibilities – during 2022/23 the Senior Management Team (SMT) continued to take ownership of strategic risk management with each of the strategic risks being owned by a member of SMT. Half-yearly strategic risk management reports are provided to the Audit and Governance Committee to enable them to gain assurance that the Council's strategic risks

are being effectively managed. The Director of Policy and Resources was the SMT lead overseeing the risk management activities during 2022/23.

- iv. Operational Risk Management – the Strategy requires that all staff have a role to play in managing risk, with risk management principles embedded into all key business processes. This includes financial, performance, programme, contract and project management arrangements. Championship of risk management is undertaken by SMT, working alongside ARA and helping to embed risk management into the Council’s culture.

Risk Management and links to Good Governance and the Annual Governance Statement (AGS)

2.3 The Council acknowledges its responsibility for ensuring that there is effective governance. A Code of Corporate Governance has been developed that defines the principles and practices that underpin the governance arrangements operating within the Council.

2.4 The Code is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance “Delivering Good Governance in Local Government – 2016”. One of the seven core principles of good governance states:

“Managing risks and performance through robust internal control and strong public financial management.”

2.5 In order to gauge the effectiveness of the risk management arrangements operating within the Council, an assurance framework is in operation which underpins the statements made within the AGS. The process requires all Corporate Directors and Heads of Service to provide high level examples of compliance against the seven core principles via an Assurance Statement. This includes the risk principle above, to demonstrate that risk management is being effectively applied within each service area. The Heads of Service Composite Assurance Statements are also reviewed, challenged and countersigned by the relevant Corporate Director and Managing Director.

2.6 The Three Lines of Defence assurance model helps Members and senior management to:

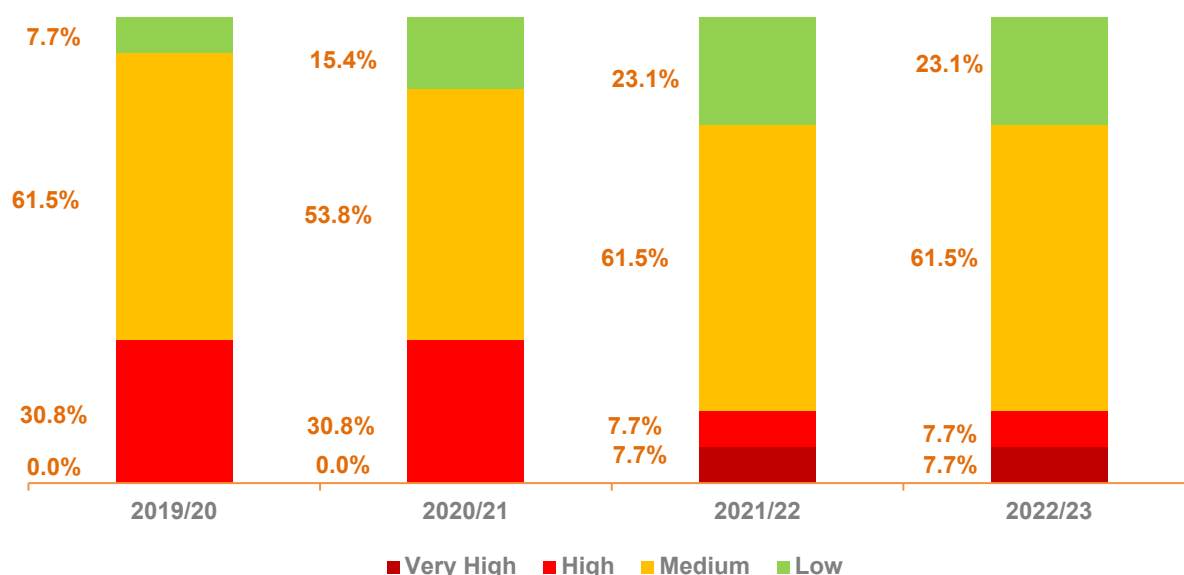
- i. Understand where risk assurances are being obtained from;
- ii. The level of reliance they place on that assurance; and
- iii. Identify potential gaps in assurance, enabling the application of relevant risk mitigation measures and/or controls accordingly.

What is the Three Lines of Defence Model?

- 2.7 Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. Defining these sources into three categories as below, helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported.
- 2.8 The 'Three Lines of Defence' assurance model distinguishes three groups (or lines) involved in effective risk management:
- i. The first line Functions that own and manage risks;
 - ii. The second line Functions that oversee risks and ensures compliance; and
 - iii. The third line Functions that provide independent assurance.
- 2.9 Please see **Attachment A** below which summarises the Council's risk assurance framework. A framework that is based on the revised Three Lines of Defence model.

Strategic Risk Register

- 2.10 The Council's Risk Management Policy Statement and Strategy 2020-2023 requires compilation and formal review of a strategic risk register. The purpose is to identify and assess risks associated with the achievement of the Council's priorities and objectives within the Council Plan. This includes both strategic risks and emerging strategic risks.
- 2.11 At the first quarter reporting of the strategic risk register to SMT, a strategic risk benchmarking exercise was undertaken against two neighbouring and similar councils. This focussed on risk categories and types.
- 2.12 The common themes on the Strategic Risk Registers of these councils include:
- Impact on Residents Health and Wellbeing,
 - Employee Wellbeing, and
 - Tackling the causes and consequences of climate change and promoting Sustainability.
- 2.13 The main aim of this analysis was to evaluate whether the Council had considered and captured all key relevant risks associated with delivering the Council's objectives. Benchmarking the areas with similar councils.
- 2.14 The information was scrutinised and discussed by SMT. It was concluded that the strategic risks identified and assessed by Gloucester City Council were in line with expectation of the Council's areas of business.
- 2.15 Analysis of the strategic risk register residual risk ratings recorded over the last four years (see below) demonstrates the commitment of the Council to manage and reduce key risks.



2.16 A summary of the Council’s end-of-year 2022/23 strategic risk register is provided at **Appendix 2**.

3. Risk Management links to Internal Audit

3.1 Whilst the responsibility for identifying and managing risks belongs to management, one of the key roles of Internal Audit is to provide independent assurance that those risks have been properly managed. In order to achieve this, Internal Audit within Gloucester City Council positions its work in the context of the Council’s own risk management framework. This approach is known as Risk Based Internal Auditing.

Risk Based Internal Audit Planning

3.2 All Councils must make proper provision for Internal Audit in line with the Accounts and Audit Regulations 2015. The Regulations provide that a relevant Council ‘must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’. Completion of annual Internal Audit activity based on the risk profile of the Council also supports the Section 151 Officer’s duty to ensure the proper administration of the Council’s financial affairs.

3.3 The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS 2017) as representing ‘proper Internal Audit practices’. The Standards define the way in which the Internal Audit service should be established and undertake its operations. These Standards require the Head of ARA to produce an Annual Risk Based Internal Audit Plan to determine the priorities of Internal Audit activity.

3.4 ARA develop the Internal Audit Plan in consultation with senior management and Audit and Governance Committee. The Plan is drafted to ensure the proposed activity is consistent with the Council’s priorities and objectives. This takes into account the risk management framework, risk appetite levels set by management and Internal Audit’s own judgement of risks.

3.5 For the 2023/24 Internal Audit Plan, ARA enhanced the methodology to analyse and document risks. The new process is analytically driven and improves the ability to measure and compare risks more accurately. This enables Internal Audit work to be better aligned to the risks of the Council.

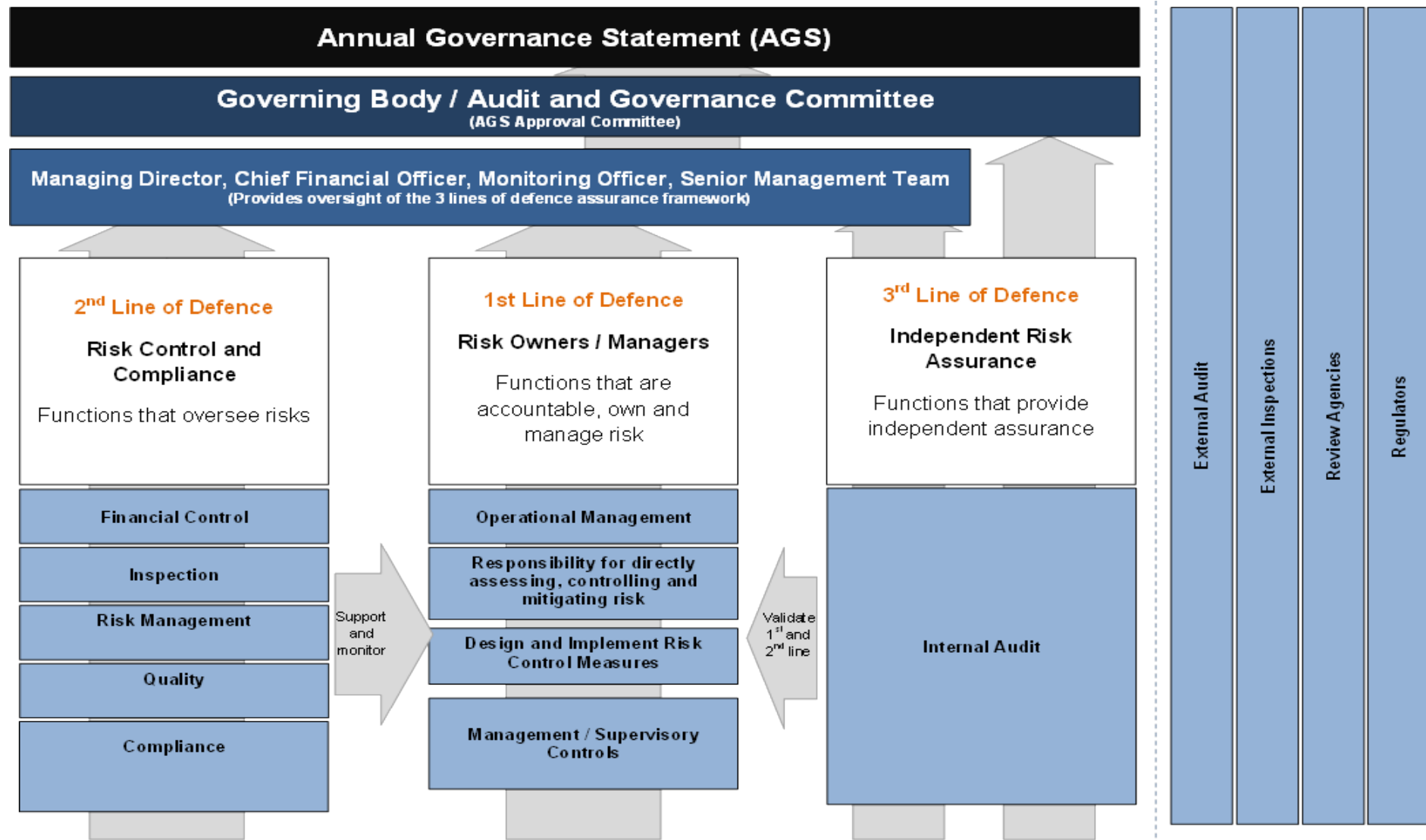
4. Future Developments in 2023/24

4.1 For 2022/23, ARA has produced and plans to deliver a dynamic Risk Management Action Plan (**Attachment B**). The goal of the Action Plan is to further embed and promote risk management good practice within the Council.

5. Conclusion

5.1 On the basis of the information set out in this report, it can be concluded that arrangements for managing risk within the Council are reasonable.

Attachment A – Three Lines of Defence Model: Governance, Risk and Control Assurance Framework



The Three Lines of Defence (Assurance Model)

The Three Lines of Defence Assurance Model distinguishes among three groups (or lines) involved in effective risk management:

- i. Functions that own and manage risks;
- ii. Functions that oversee risks; and
- iii. Functions that provide independent assurance.

The first line

As the first line of defence, operational management has ownership, responsibility and accountability for directly identifying, assessing, controlling and mitigating risks.

The second line

The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, IT, HR, finance and other control functions). This line monitors and facilitates the implementation of effective risk management practices by operational management. Including monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting, compliance with laws and regulations, and timely remediation of deficiencies.

Management establishes these functions to ensure the first line of defence is properly designed, in place, and operating as intended. Each of these functions has some degree of independence from the first line, but they are by nature management functions. As management functions, they may intervene directly in modifying and developing the internal control and risk systems. Therefore, the second line of defence serves a vital purpose but cannot offer truly independent analyses to governing bodies regarding risk management and internal controls.

The third line

Internal Audit form the Council's third line of defence. An independent Internal Audit function will, through a risk based approach to its work, provide assurance to the Council's Audit and Governance Committee and senior management. This high level of independence is not available in the second line. Internal Audit assurance will cover how effectively the Council assesses and manages its risks and will include assurance on the effectiveness of the first and second lines.

External Auditors, Regulators and other External Bodies

In addition to the internal governance arrangements, External Auditors, Regulators, and other External Bodies reside outside the Council's structure, but have an important role in the Council's overall governance and control structure. This is particularly the case in regulated industries, such as financial services or insurance.

Regulators sometimes set requirements intended to strengthen the controls in a council. On other occasions, they perform an independent and objective function to assess the whole or some part of the first, second, or third lines of defence with regard to those requirements.

When co-ordinated effectively, External Auditors, Regulators, and other groups outside the Council can be considered as additional lines of assurance provided to the Council's stakeholders. Given the specific scope and objectives of their missions, however, the risk information gathered is generally less extensive than the scope addressed by a Council's internal three lines of defence.

Attachment B – Risk Management Action Plan 2023/24

Area	Action	Target
Risk Management Policy Statement and Strategy (currently 2020-2023)	Review the Risk Management Policy and Strategy to confirm it is up to date, fit for purpose and to evidence that the statements made within it are being applied and undertaken in practice by: <ul style="list-style-type: none"> i. Council; ii. All Committees; iii. Audit and Governance Committee; iv. Senior Management Team; v. Respective management posts for their particular service areas; and vi. All staff 	September 2024
Risk Management Toolkit	Enact and apply the guidance as described within the Risk Management Toolkit; and to evidence that the processes described are being undertaken. This should include adopting the bow tie methodology for developing the risk register.	November 2024.
Member Actions	The Council should review the following for the Committee: <ul style="list-style-type: none"> i. Regular training for Members of the Committee on risk management. To include the importance of risk management, the role it plays in the Council achieving its objectives, and the Committee’s AGS approval role; ii. The reports that should be reported to each and every Committee on risks and risk management; iii. The Members to understand the Council’s objectives (must be SMART) and thereby be able to comment upon and challenge the risks that might affect the outcome of those objectives; and iv. The development of a risk assurance map to enable Members of the Committee to have a visual presentation of the Council’s assurance framework. 	March 2024.

Gloucester City Council – Risk Management Annual Report 2022/23

Attachment B

Area	Action	Target
Officer risk management survey	Conduct a survey of managers and then all staff to understand the awareness and understanding of risk management. Including the part they play in assessing risk and in achieving objectives in the most efficient and effective way.	December 2023.
Officer training	Establish ongoing risk management training for managers and staff.	March 2024.
Risk Champions	Establish Risk Champions who understand the benefits of risk management, the systems involved that manage risks (risk register) and have time allocated to support others in their departments and directorates.	March 2024.

Throughout 2023/24		
Area	Action	
Strategic Risk Register	<p>Facilitation and support of quarterly Strategic Risk Register review. To ensure alignment with strategic objectives with updates by the Senior Management Team.</p> <p>Key themes to be considered: Clarification of and golden thread to SMART objectives; Review of risk descriptions; Assessing risk appetite; Review of risk controls to distinguish between preventative and recovery controls; and use of the bow tie report tool.</p> <p>Twice-yearly reporting of the Strategic Risk Register to Audit and Governance Committee.</p>	
Strategic Risk Benchmarking	To review the Council’s Strategic Risks with other peer councils, to highlight any key and emerging risks for SMT to consider in July.	
Annual Risk Management Report	Annual Report to Audit and Governance Committee in July.	

Throughout 2023/24	
Area	Action
Service Plans and Risk Registers	<p>Continued provision of guidance and support to service leads to ensure both items are documented for all Council service areas and are updated accordingly. Joint working with the Policy and Governance Team.</p> <p>Key themes to be considered: Clarification of and golden thread to SMART objectives; Review of risk descriptions; Assessing risk appetite; Review of risk controls to distinguish between preventative and recovery controls; and use of the bow tie report tool.</p>
Risk management support on Council's significant projects	<p>Provision of risk management advice, support and guidance. Support route to be highlighted through the communications plan and promoted through wider Action Plan items. Support to be provided on request (either from the service directly or through identification via the Internal Audit Plan route).</p>
Communications Plan	<p>A communications plan will be developed and implemented to promote the importance of continuing to embed risk management principles and practices into day to day activities and decision making processes.</p> <p>Plan to align to wider Action Plan themes and timelines. To also ensure that key points of risk management support are known and accessible.</p>
Intranet Update	<p>Maintenance and update of the information available on the intranet, which includes the Risk Management Policy Statement and Strategy and Risk Management Toolkit.</p>

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Strategic Risk Register Report as at May 2023



SRR1 Strategic Risk Register

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
SRR1.1	Non achievement of the Money Plan – including the annual savings / income targets and the result of a balanced budget	4	4	16	*Budget setting process – including consultation; management/leadership input into savings targets; and Overview & Scrutiny and Council involvement. *Forecasting Money Plan for medium term. *Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager. *Rigorous monthly monitoring of the Council's financial position - monthly budget monitoring (including budget savings programme lines) at budget holder level (Finance led) and by SMT. * Financial Services staff professionally qualified in	3	2	6			3	2	6	Director of Policy & Resources

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Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					accountancy-related disciplines. *Assurance reviews by Internal Audit to ensure compliance with approved policies and procedures. *Service Plans aligned with resources and subject to regular review.									
SRR1.2	Adverse public and media relations	3	3	9	*Dedicated communications and marketing resource with defined service scope – service delivery by County Council (SLA). *Regular monitoring of press coverage. *Formal route for media press contact (controlled approach). *Standardised FOI approach with FOI Champions. *Dedicated support for key consultations. *Communication Strategy on key campaigns, including performance measures. *Internal Communications Channel Plan. *Complaints policy / monitoring. *Digital communications team in place – including	3	2	6			2	2	4	Managing Director

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					objectives, policies and procedures. *Approved campaigns plan in place. *Release of new Council website.									
SRR1.3	Lack of competence, staff engagement, probity and professionalism, workforce planning, succession planning, recruitment and retention within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance.	3	3	9	*Dedicated HR resource with defined service scope – service delivery by County Council (s101 agreement). *Adherence to best practice recruitment and selection procedures and principles. *Member and staff training. *Complaints monitoring. *Member role descriptors. *Codes of conduct for members and officers. *Defined officer roles. *Staff 1:1s and performance appraisals. *Disciplinary procedure. *Adherence to health and safety Policy and procedures. *Staff survey. *Staff engagement activities. *Governance Group bi-monthly meetings.	3	2	6			3	1	3	Director of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					*Council Values and behaviours refreshed and adopted. *Development Plan and Learning & Training Plan in place. *OD Plan in place. *Talent management scheme and apprenticeship scheme in place.									
SRR1.4	Failure to effectively manage contracts and SLAs with key partners / other significant bodies, including: Ubico, Civica, Aspire, Gloucestershire Airport, VCS organisations, Gloucestershire County Council shared services	3	3	9	*Central list held of all contracts and SLAs with named responsible officers and Members. *In set up of the partnerships: -Corporate procurement strategy and procedures; Contract Standing Orders; Constitution requirements; and Availability of advice from legal, finance & procurement. -Documentation on the Council contracts register. *Partnership specific controls required (for each partner): -Documented signed SLA. -Lead contact officers assigned to each partner. -Regular performance management meetings,	2	3	6			2	2	4	Director of Policy & Resources

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Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
Page 45					with reporting to SMT/Committee. -SLAs incorporate contingency business plan approach to mitigate loss of service. -Partnership risk registers – either individually or within the service risk register. -Governance arrangements identifying where decisions are taken. -Agreement of SLA KPIs, performance standards and payments (within contract). -Ongoing negotiation with partners to review current contract contents, to ensure up to date (e.g. GDPR considerations) and fit for purpose.									
	SRR1.5	Failure to support and enable business growth within the city	3	3	9	*Support local businesses both start up and new - 'Better Business For All'. *Partnership support for skills/jobs and attraction of inward investment. *Council's promotion of city through links with GFirst LEP;; and with adjacent authorities (e.g. JCS).	2	2	4		2	2	4	Head of Place

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					*Cultural Strategy – including 6 monthly review and update. *Liaison with Business Improvement District *Regeneration and Economic Development Strategy in place. *Ongoing review and bidding for regeneration funding, with continued focus on regeneration sites.									
SRR1.6	Loss of finance, resource and reputation due to fraudulent activity	4	3	12	*The following are approved policies available to officers: -Anti-fraud and corruption strategy (including Anti-bribery policy and Anti-money laundering policy). -Whistle blowing policy. -Fraud response plan. *Financial regulations (including standing orders). *Existing internal control framework. *Internal Audit inc. Audit & Governance Committee and annual risk based internal audit plan (deterrent). *External audit presence (deterrent). *Benefit case referral to the Single Fraud Investigation Service – DWP.	3	1	3			4	1	4	Director of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					<p>*Brilliant Basics modules (fraud awareness, project management and influencing skills) available to management team.</p> <p>*Council Fraud Officer works closely with ARA – Council position reviewed monthly by S151 Officer and Chief Internal Auditor.</p>									
SRR1.7	Failure to deliver key regeneration priorities (including Kings Quarter and Blackfriars)	3	3	9	<p>Regeneration Advisory Board.</p> <p>*Capital Monitoring Steering Group & existing capital programme controls.</p> <p>*Brilliant Basics modules (project management and influencing skills) available to management team.</p> <p>*Project specific controls that should be in place:</p> <ul style="list-style-type: none"> -Project plans in place for major schemes. -Project review meetings led by experienced/qualified Members and Officers with third party links/presence (e.g. developers and associated commercial agents). 	3	2	6			2	2	4	Head of Place

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					-Project update reporting to Cabinet and Council (in line with project plan milestones). - Re-assessment of projects at appropriate points to review objectives and deliverables. - Maintenance and review of project risk registers for each regeneration project. -Ongoing internal review and financial scrutiny of projects.									
RR1.8	Failure to manage information in accordance with legislation	4	4	16	*IT Security ­ The Civica ITO extension continues to provide key IT security controls. ­ The rebuild opportunity following the cyber incident, the council, working with the NCSC and NCC has invested in additional security products and services: ­ Enrolment in the NCSC Active Cyber Defence services ­ Introduced a Security information and event management (SIEM)	3	2	6	Insource ITO arrangements to enhance the key IT security controls	31-Oct-2022	4	1	4	Director of Policy & Resources

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Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					­ Endpoint protection (VMware and Microsoft) ­ E-mail content scanning (incl. Microsoft). ­ Physical security and protection of IT suite (access list only – physical in now with Indectron). ­ Procedures for login lockdown when IT staff leaving organisation. ­ Data cleansing of IT equipment prior to disposal. ­ Client monitoring (inhouse intelligent client function) team in place. ­ IT risk register monthly review and update by the IT Operations Board. *Use of information: ­ FOI procedures; standardised approach; & FOI Champions. ­ Information management rules within the Constitution. ­ Data Protection guide and GDPR implementation/training action plan. ­ Staff training and induction to confirm appropriate									

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
Page 50					management of information. *Info stored / accessed ­ Building access controls. ­ SIRO role allocated. ­ Information Governance Board and ICT Strategy Board in Place. ­ Suite of information policies in place and available on NETconsent policy management system. ­ User cyber awareness training and workshops Quarterly cyber update presented to SMT									
	SRR1.9	Ability to respond effectively to unexpected social and environmental events in support of our communities (e.g. weather/terror attack/phone system failure/BREXIT/ Covid/cost of living crisis/other)	4	3	12	*Up-to-date Emergency Response Plan, Flood Plan, Vulnerable People Plan, Pandemic Plan etc. drafted in conjunction with agencies, government departments and other local authorities. *Regular review and updating of Emergency Response Plan and other plans. *Allocated Emergency Team Leaders within the Council e.g. District Emergency Controller and Gold Officer roles.	3	2	6			3	2	6

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					*Business continuity plans in place for each Service. *Bad weather policy and communications. *Climate change strategy supported by Local Resilience Forums. *Emergency Contacts list updated every quarter. *Defined Mutual Aid Agreement including all Gloucestershire local authorities. *Continued testing of Emergency Plan arrangements; bi annual exercises & live events (e.g. Christmas call out exercise); and use of Mutual Aid agreement. With ongoing shared learning. *Review of issues affecting 'Community cohesion' at Gloucester's Community Safety Partnership. *Engagement in Community resilience forum. *Regular attendance at ILP and Health Inequalities Groups *Social issues such as fuel poverty and									

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					housing affordability reviewed by Gloucestershire Strategic Housing Partnership *Social value policy focused to help address current issues via TOMs									
SRR1.10	Council services loss for a significant period, due to failure and limited capacity of IT infrastructure (leading to other financial, reputational and information governance risks)	4	4	16	* The rebuild opportunity following the cyber incident has enabled the council to accelerate its cloud first strategy. * The investment budget to implement and maintain the rebuild has been agreed * PSN compliance and Cyber Essentials certification is being monitored through regular audit checkpoints with certification bodies.	2	4	8	Complete the rebuild of the council's line of business applications, over 75% of which will be hosted in the cloud on infrastructure managed by the application provider	31-Oct-2022	3	2	6	Director of Policy & Resources
									Host all unstructured data in Office 365	31-Oct-2022				
									Provide fully managed new security infrastructure (firewall and VPN) and next generation devices	31-Oct-2022				
									Through the move to the cloud and inclusion in the scope for the service provided, shift of the council's ICT Business Continuity and IT Disaster Recovery Plans to application providers	31-Oct-2022				
									Develop ICT Strategy for each infrastructure service and line of business application to balance the need to restore along with the opportunity to move to the cloud	31-Oct-2022				
									Rebuild ICT Security and information governance with input from the NCSC and NCC	31-Oct-2022				
SRR1.11	Inability of the council to identify viable	4	4	16	*Budget setting process – including consultation;	3	2	6			3	2	6	Director of Policy & Resources

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Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
Page 53	plans to achieve efficiencies and/or income generation.				management/leadership input into savings targets; and Overview & Scrutiny and Council involvement. *SMT and Cabinet review and approval of Money Plan savings delivery options – including commissioning and alternative delivery opportunities for savings and income generation. *Allocation of individual savings/income targets to an SMT sponsor, Cabinet Member and leading manager. *Rigorous monthly monitoring of the Council's financial position - monthly income / budget monitoring at budget holder level (Finance led) and by SMT. *Engagement with GMT to ensure corporate ownership of financial challenges and need for active identification of efficiency & income opportunities for the Council									
	SRR1.13	Inability of the Council to deliver the	4	4	16	*Corporate Plan developed jointly by Cabinet and Senior	1	1	1			3	2	6

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
Page 54	Corporate Plan to 2024				Management Team, scrutinised and endorsed by the wider Council membership. *Corporate Plan approval completed. *Budget Strategy and Money Plan designed to appropriately resource the delivery of the Corporate Plan. *Performance management framework. *Service planning processes to ensure Corporate Plan link to Service Plans. *Appraisal processes link personal objectives and development needs to the needs of the organisation, talent development and personal well being.									
	SRR1.14	Negative financial implications due to inappropriate delivery and management of the Property Investment Strategy; and a risk of political priorities diluting commercial considerations around hedging	4	4	16	*Property Investment Strategy (including risk management considerations) endorsed by Cabinet and approved by Council. *Property Investment Board set up with a defined Terms of Reference to oversee the investment of the £80m fund.	3	2	6		4	2	8	Director of Policy & Resources

Risk Ref	Risk	Original Impact	Original Likelihood	Original Score	Description	Current Impact	Current Likelihood	Current Score	Further Mitigating Action	Timescale	Target Impact	Target Likelihood	Target Score	Risk Owner
					<p>*Council approved delegation of authority to the Council Solicitor to conclude documents (in line with senior officer agreed heads of terms) to enable completion of each acquisition.</p> <p>*Property Investment Board to receive investment prospectus and officer evaluations of potential property acquisitions; to make recommendations to the s151 Officer with regards to investment; and to oversee the due diligence and acquisition process in accordance with the Property Investment Strategy.</p> <p>*Property Investment Board to monitor fund position (including cost of borrowing) and the management of the estate, with outcomes to be reported to senior officers and Members.</p> <p>*Legal implications ongoing review to ensure relevant local authority powers remain in place to support the Property Investment Strategy.</p>									

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Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	17th July 2023
Subject:	Annual Governance Statement 2023/24		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	
	piyush.fatania@gloucestershire.gov.uk	01452 328883	
Appendices:	A: Annual Governance Statement (AGS) 2023/24		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To summarise Gloucester City Council's corporate governance arrangements in place during 2022-23, via the publication of an AGS, (signed by the Leader, the Managing Director and the S151 Officer), supported by a Local Code of Corporate Governance, which is in accordance with the requirements of the Local Government Act 1999, the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authorities Chief Executives (SOLACE) guidance – Delivering Good Governance in Local Government Framework 2016.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:
- i. Approve the AGS 2022-23 (including the actions planned by the Council to further enhance good governance arrangements).

3.0 Background and Key Issues

- 3.1 All Councils must make proper provision for Internal Audit in line with the Accounts and Audit Regulations 2015 (the Regulations). The Regulations provide that a relevant Council 'must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Completion of annual internal audits based on the risk profile of the Council also supports the Section 151 Officer's duty to ensure the proper administration of the Council's financial affairs.

- 3.2 In April 2016, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework 2016 and this applies to annual governance statements prepared for the 2022-23 financial year. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.
- 3.3 The key focus of the framework is on sustainability: economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.
- 3.3 In response to the above, we therefore:
- reviewed the existing governance arrangements against the revised principles set out in the Framework;
 - developed and implemented a refreshed local code of corporate governance, based on the principles, including an assurance framework for ensuring ongoing effectiveness; and
 - will report publicly, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.
- 3.4 The Annual Governance Statement is signed by the Leader, Managing Director (Head of Paid Service) and the S151 Officer and must accompany the Annual Statement of Accounts.

4.0 Social Value Considerations

- 4.1 There are no Social Value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

- 5.1 There are no Environmental implications as a result of the recommendations made in this report.

6.0 Alternative Options Considered

- 6.1 There are no alternative options that are relevant to this matter.

7.0 Reasons for Recommendations

- 7.1 The Accounts and Audit Regulations 2015 6 (1) (a) requires the Council to conduct an annual review of the effectiveness of the system of internal control required by regulation 3, and (b) to prepare an Annual Governance Statement.

8.0 Future Work and Conclusions

- 8.1 The improvement actions identified as part of the annual review and included within the AGS will be monitored by Senior Management and the Audit and Governance Committee during 2023-24.

9.0 Financial Implications

9.1 There are no Financial implications as a result of the recommendations made in this report.

Financial Services have been consulted in the preparation this report.

10.0 Legal Implications

10.1 Nothing specific arising from the report recommendations.

(One Legal have been consulted in the preparation this report).

11.0 Risk and Opportunity Management Implications

11.1 Failure to deliver effective governance will impact on the ability of the Council to achieve its vision, priorities and key actions. It is important to recognise that the purpose of the AGS is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 A PIA is not required.

13.0 Community Safety Implications

13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Background Documents: Reference and Council website links to supporting reports and documentation are made within the AGS

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**ANNUAL GOVERNANCE
REPORT 2022-23
– DRAFT
JULY 2023**

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Gloucester City Council – Annual Governance Statement 2022-23

1. Scope of Responsibility

- 1.1 Gloucester City Council (the Council) is responsible for ensuring that its business is conducted lawfully and that public money is safeguarded and properly accounted for. The Council has a duty under the Local Government Act 1999 to continuously improve its functions, having regard to best practice, economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council acknowledges its responsibility for appropriately governing its affairs, the effective exercise of its functions and the management of its risks. The Council has developed a Code of Corporate Governance (the Code) which defines the principles and practices that underpin the Council's governance arrangements.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced the "Delivering Good Governance in Local Government framework (2016)". This emphasises sustainability and the need to focus on the economic, social and environmental impacts that actions may have on future generations.
- 1.4 The Code is reviewed annually and is consistent with the seven core principles of the CIPFA-SOLACE framework.
- 1.5 The Annual Governance Statement (AGS) has been prepared in accordance with the CIPFA-SOLACE framework. For the year ended 31 March 2023, the AGS shows the Council's compliance to the Code and the Accounts and Audit Regulations 2015, regulation 6(1).
- 1.6 The AGS describes how the effectiveness of the governance arrangements has been monitored and evaluated in 2022-23 and any changes planned for 2023-24.
- 1.7 The Council's Statutory Officers are the Managing Director (Head of Paid Service), Director of Policy and Resources/Head of Finance and Resources (Section 151 or S151 Officer) and the Monitoring Officer (the MO). They direct the annual reviews of the effectiveness of the Council's governance arrangements against the Code, providing oversight and robust challenge. When completed, the findings are reported to the Audit and Governance Committee (AGC), which identifies and monitors any improvement actions.

2. The Corporate Governance Framework

- 2.1 Corporate governance refers to how the Council is led, controlled and held to account.
- 2.2 Appendix A below shows the Council's Governance, Risk and Control Framework pictorially.
- 2.3 The Council's governance framework aims to ensure that in conducting its business it:
 - i. Operates in a lawful, transparent, inclusive and honest manner;

- ii. Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
 - iii. Has effective arrangements for the management of risk; and
 - iv. Secures continuous improvement in the way that it operates.
- 2.4 The governance framework comprises the culture, values, systems and processes by which the Council is managed. It enables the Council to monitor its objectives and to consider whether these have led to the delivery of effective services and value for money. It enables the Council to monitor the achievement of its strategic objectives.
- 2.5 The framework brings together legislative requirements, best practice principles and management processes.
- 2.6 The system of internal control is a significant part of the framework and is designed to manage the Council's risks to a reasonable level. It cannot eliminate all risk of failure to achieve corporate objectives and can, therefore, only provide reasonable and not absolute assurance. The system of internal control helps the Council to:
- i. Operate in a lawful, transparent, inclusive and honest manner;
 - ii. Ensure that public money and assets are safeguarded from misuse, loss or fraud, are accounted for and used economically, efficiently and effectively;
 - iii. Have effective arrangements for the management of risk;
 - iv. Secure continuous improvement in the way that it operates;
 - v. Enable human, financial, environmental and other resources to be managed efficiently and effectively;
 - vi. Properly maintain records and information; and
 - vii. Ensure its values and ethical standards are met.
- 2.7 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement [The Role of the Chief Financial Officer in Local Government](#) (2016).
- 2.8 The Code recognises that effective governance is achieved through the following seven CIPFA-SOLACE principles:
- i. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ii. Ensuring openness and comprehensive stakeholder engagement;
 - iii. Defining outcomes in terms of sustainable economic, social and environmental benefits;

- iv. Determining the interventions necessary to optimise the achievement of intended outcomes;
- v. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
- vi. Managing risks and performance through robust internal control and strong public financial management; and
- vii. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

2.9 Key features of the Council's governance framework during 2022-23 included:

- i. Council – this is the ultimate decision-making body for all matters and approves the Council Plan, the Constitution (including Standing Orders and Financial Regulations), key policies and the budgetary framework;
- ii. Cabinet – comprises the Leader and four Cabinet Members. This is an executive body with authority to take “key” decisions. Its role is to formulate strategy and policy and make recommendations to Council;
- iii. Audit and Governance Committee – reviews the effectiveness of the internal control, risk and governance environment, receives reports from Internal and External Audit and approves the Council's statutory accounts and the Annual Governance Statement;
- iv. Committees – support the work of Cabinet and the Council. There are four main Committees (excluding the AGC). The Overview and Scrutiny Committee develops proposed policy and scrutinises the Council's performance. The Planning Committee and Licencing Enforcement Committee oversee regulatory matters and the General Purposes Committee makes recommendations to Council on a range of matters including amendments to the Constitution and electoral issues;
- v. The Managing Director (MD – Head of Paid Service). The MD has delegated authority to take operational decisions within the Council's policies and budgets and overall accountability for the governance framework. The MD advises on budgetary issues and the development and implementation of Council policy;
- vi. The Director of Policy and Resources/Head of Finance and Resources – promotes effective financial management, ensuring that public money is safeguarded and used economically, efficiently and effectively. The S151 Officer develops and maintains the Council's governance, risk and control framework and contributes to the effective management and governance of the Council;
- vii. The Monitoring Officer – ensures that the Council's decisions are lawful, fair, promote high ethical standards and comply with the Code. The MO has overall responsibility for the operation of the Confidential Reporting Procedure (Whistleblowing) and contributes to the effective management and governance of the Council;

- viii. Internal Audit – deliver a programme of risk based audit activity, counter fraud and investigation services. They provide an annual opinion on the adequacy and effectiveness of the Council’s governance, risk management and control framework and recommend improvements in the management of risk;
- ix. External Audit – provide an opinion on the accounts, the AGS and arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion);
- x. Management – are responsible for developing, maintaining, implementing and owning the Council’s governance, risk and control framework. They contribute to the effective management and governance of the Council;
- xi. The Council Plan – which identifies and communicates the Council’s vision, objectives and priorities;
- xii. The Strategic Risk Register – reflects the objectives of the Council Plan and identifies the implications for the Council’s governance arrangements;
- xiii. The Constitution – sets out the Council’s decision-making framework and is regularly updated. It defines the responsibilities of Members, committees, and the statutory officers (Head of the Paid Service, S151 Officer and the MO). It includes a scheme of delegation, financial regulations and contract standing orders. The Constitution defines codes of conduct for Members and officers; and
- xiv. Whistle blowing policy and process - along with the counter fraud, bribery and corruption strategy outlines the Council’s zero tolerance approach to fraud, bribery and corruption;

2.10 The Council’s governance framework has operated effectively throughout 2022-23 and up to the date of approval of the annual statement of accounts and the AGS.

2.11 The Code is consistent with the principles set out in the CIPFA-SOLACE Framework, and is reviewed on an annual basis. The table below is a summary of the Council’s compliance to the CIPFA-SOLACE Framework:

Principle A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
<p>Behaving with Integrity</p> <p>To ensure high standards of performance, Members should follow the Code of Conduct. The MO advises on the Code.</p> <p>High standards for officer behaviour are defined in the Officers’ Code of Conduct. Leadership and staff ‘behaviours’ are embedded into the performance appraisal process. External service providers acting on behalf of the Council are required to comply with this.</p> <p>The Codes are regularly reviewed to ensure they operate effectively. The Corporate Governance Group oversees ethical conduct.</p>

Demonstrating Strong Commitment to Ethical Values

Arrangements to minimise the risk of Members and officers being influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

- Register of disclosable conflicts of interests;
- Declarations of disclosable conflicts of interests and disclosable other interests at the start of meetings; and
- Registers of gifts and hospitality.

The Council seeks to prevent fraud, corruption and irregularity and, if suspected, this is thoroughly investigated.

Respecting the Rule of Law

The [Constitution](#) sets out the decision making powers of Members, Committees and officers.

Principle B

Ensuring openness and comprehensive stakeholder engagement.

Openness

The [Gloucester City Council Plan 2022-2024](#) sets out key objectives, actions, projects, measures and targets.

[Cabinet Member decisions](#) and significant officer decisions are reported on the Council's website.

The Council publishes [an annual report on the activity of the Overview and Scrutiny Committee](#).

The Council publishes data in accordance with the [Local Government Transparency Code](#) which enables residents to contribute to local decision making.

Engaging Stakeholders Effectively

Members are democratically accountable and this provides a clear leadership role in building sustainable communities.

The Council's planning and decision-making processes include consultation with stakeholders.

Members have the opportunity to scrutinise decisions by the Cabinet through the 'call-in' mechanism. This enables challenge of issues before implementation.

Residents unable to attend public meetings can feedback to the Council via a free email alerts service (Have Your Say) to remain updated on relevant issues within Gloucester.

Principle C

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

Defining Outcomes

The Joint Strategic Plan will replace the Joint Core Strategy. This is a partnership between Gloucester City, Cheltenham Borough and Tewkesbury Borough Councils, supported by Gloucestershire County Council and sets out a strategic planning framework for the three areas.

[Gloucester City Plan](#) (GCP): Gloucester is a transforming, growing and regeneration City. The JCS and the GCP provide a development framework for the City's growth up to 2031.

A Budget and Medium Term [Money Plan](#), Capital Programme and annual budget process direct financial resources to the Council's priorities and targets. These are overseen by the Senior Management Team, Scrutiny Committee and Cabinet.

The Council considers efficiency savings across its operations in a systematic manner.

The Council's considers 'sustainability' (economic, social and environmental) impacts on service provision. The Council aims to make all purchases under Best Value terms.

The Council collaborates with partners if there are shared objectives and clear economic benefits from joint working.

Project management arrangements consider political, environmental, societal, technological, legislative, economic and efficiency issues, risks, opportunities and value for money.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes.

Determining Interventions

Decision makers objectively and robustly analyse a variety of options. This includes information on the risks and opportunities of various options and help to inform decisions.

Consultation with residents ensures their views are fully considered when making decisions about service changes.

The Council's [complaints](#) process enables residents to convey any concerns, which allows the Council to review and enhance services.

The Council's service plans, contracts, service level and shared service agreements define outcomes, risks and measures to evaluate performance. These are aligned to the Council Plan, JCS and City Plan.

A strategic planning and performance framework and 'input to impact' methodology links service and strategic priorities. This considers the inputs, outputs and activities needed to achieve priorities, and informs key performance indicators and targets.

Optimising Achievement of Intended Outcomes

The [Money Plan](#) shows how the Council's financial resources will be deployed to deliver the Council's priorities.

The Council considers '[social value](#)' (this is a consideration of the wider economic, social and environmental effects of its activities) when commissioning services and service planning.

[Performance reports](#) analyse trends and budget positions which are monitored at management and committee meetings. Mitigation strategies are applied to manage risks.

Principle E

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

Developing the Council's Capacity

The Council uses benchmarking and [peer reviews](#) to help inform resource allocation and how outcomes can be achieved effectively and efficiently.

Collaborative working and alternative service delivery models are considered to meet the Council's priorities.

The Council's workforce organisational development plan aligns to the Council's structure.

The Talent Management Programme supports succession planning. Talent is actively developed via apprenticeships and support for staff undertaking professional qualifications.

Council staff can access an Occupational Health Service that advises on health and well-being, attendance, performance and an employee assistance programme which provides counselling.

The Constitution defines the leadership roles of the Leader of the Council and the Managing Director. The Managing Director leads on implementing strategy and managing the delivery of services and other requirements set by Members.

A dedicated programme supports continued Member development.

Appraisals and talent management assess staff performance, what works well and where further development may be need. This includes leadership skills and behaviours needed to deliver key priorities, support savings targets, and is part of the Council's commitment to personal and professional development.

Staff training and development covers a range of core skills, leadership and management, including a bespoke programme for Senior Leaders and Team Leaders. A joint coaching offer has been successfully launched with the County Council.

Principle F

Managing risks and performance through robust internal control and strong public financial management.

Managing Risk

The [Risk Management Policy and Strategy](#) defines roles and responsibilities for managing risk. It confirms that risk management is an integral part of the Council's business planning, option appraisal and decision making activities.

The Council's [Business Continuity plans](#) ensure critical services can be maintained and recovered during an emergency.

[The AGC](#) monitor the adequacy of risk management, and the effectiveness of the S151 Officer in ensuring an adequate internal and financial control environment within the Council.

Managing Performance

[Gloucester City Council Plan 2022-2024](#) outlines the Council's four clear priorities: Working to create a vibrant and prosperous city, to maintain a safe and attractive city, to build strong and resilient communities and to provide great services that ensure Value for Money.

Officers hold bi-monthly performance meetings with their relevant Cabinet Portfolio Holder.

Priorities are monitored through the Council's performance, programme and project management framework and overseen by the relevant [Committees and Cabinet](#).

Robust Internal Control

The Council takes fraud, corruption and maladministration very seriously and the [Counter Fraud and Corruption Policy Statement and Strategy](#) and [Whistleblowing Policy](#) prevent or deal with such occurrences.

Managing Data

Data is lawfully managed in accordance the [Data Protection](#) Policy, [Freedom of Information Publication Scheme](#) and Information Security Incident Management Policy.

Information Sharing protocols are in place with third parties.

Policy ownership rests with the Senior Information Risk Officer (SIRO) and the Information Governance Board Members who agree, monitor, promote and review Policy implementation.

Strong public financial management

Robust budget management arrangements are in place including monitoring and review by the [Overview and Scrutiny Committee and Cabinet](#).

External Audit report on the [Council's financial statements](#) and the [AGS](#). They provide an opinion on the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money).

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Transparency

Agenda and minutes of Council, Cabinet and Committee meetings are publicly available on the [Council's website](#).

The [Freedom of Information Act publication scheme](#) ensures residents have access to information held by the Council.

The Council regularly publishes data in line with [The Local Government Data Transparency Code](#). This includes expenditure over £500, grants to community bodies and senior salaries. This enables residents to contribute to local decision making.

Reporting

The [Annual Statement of Accounts](#) provide information on the Council's stewardship of public money for the year.

The [AGS](#) reports on the effectiveness of the Council's governance arrangements against the key principles set out within the Code.

The [AGC review and approve the Annual Statement of Accounts and AGS](#).

Assurance and effective accountability

Accountability and decision making arrangements are clearly defined in the Council's Constitution. These include arrangements for delivering services with the Council's key partners.

3. Review of Effectiveness

- 3.1 The Council has a responsibility for annually conducting a review of the effectiveness of its governance framework including the system of internal audit. The review of effectiveness is informed by the various sources below who contribute to the development and maintenance of the governance environment:
- i. Review of executive decision making by the Overview and Scrutiny Committee;
 - ii. The Chair of the AGC formally reports on its work to Council;
 - iii. Assurance statements from senior management provide evidence that key elements of the system of internal control are operating effectively;
 - iv. The work of Internal Audit, including the Annual Report of the Head of Internal Audit is overseen by the AGC;
 - v. The work of the External Auditor – including the annual Audit Results and further reports in relation to financial and other aspects of the Council's governance;

- vi. A comprehensive risk management process captures the Council’s strategic and operational risks which are reported to senior managers and the AGC; and
- vii. Consideration of this AGS by the Section 151 Officer, the MO and the MD with reference to the wider aspects of governance;

4. Update On Governance Issues From 2021-22.

4.1 In the AGS for **2021-22**, the following governance issues were highlighted:

Governance Issue	Actions taken in 2022-23
Future Financial Sustainability and Efficiency Savings. Lead Officer – The Director of Policy and Resources.	This is business as normal.
Covid-19 Impact Lead Officer – The Director of Policy and Resources.	Covid-19 is no longer a significant risk to the Council.
Cyber Security and Resilience	The Council has almost fully recovered from the cyber incident. The peer review group praised the Council for its response and recovery to the cyber incident.
Office move in 2022-23	The Council’s office move was successfully completed.
Financial Resilience	The Council’s finances are monitored as part of normal business. The risk of the Council issuing a Section 114 notice is low.
Risk Management	ARA will undertake follow up work for the Risk Management audit that was undertaken in 2022 and report progress on implementation to the ASC. ARA have commenced work on the production of an Assurance Map which will be presented to management and the Committee.
Hybrid working	This is business as normal.

5. Overall opinion of Gloucester City Council’s Governance Arrangements

- 5.1 Despite the high level of inflation, utility price volatility and the cyber security incident, the Council has maintained effective service delivery and governance arrangements. There has been no significant detriment on the Council’s ability to deliver its statutory services.
- 5.2 Risk registers were refreshed to reflect the findings of the Review of Risk Management (see below) to ensure they accurately capture the Council’s risks. These are reviewed and regularly monitored by the Senior Management Team (SMT) and presented for scrutiny by the AGC as appropriate.

5.3 Council staff have embraced hybrid working patterns and the risks arising from cyber security, of electronic document sharing and data protection (GDPR) legislation continue to be monitored. This is supported with regular staff awareness and training programmes.

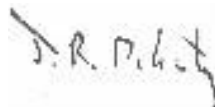
6. Governance Issues Requiring Attention in 2023-24.

6.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for attention:

Issue	Action to be taken in 2023-24
<p>Internal Audit Reviews with Governance Themes</p>	<p>The following ARA activities will help to strengthen governance:</p> <ul style="list-style-type: none"> • Housing, Homelessness and Rough Sleeping Strategy; - This has been issued as a final report; <p>The following ARA activities will be undertaken in 2023-24:</p> <ul style="list-style-type: none"> • Marketing Strategy; • Climate Change and Carbon Reduction; • Asset Management Strategy; and • City Growth Strategies.
<p>ICT</p>	<p>The Council has almost fully recovered from the cyber incident. Over the course of the last year the Council has maintained service delivery. Indeed the Peer Review report commends the Council for its response to the cyber incident.</p> <p>The Council has put in place many measures (which have been reported internally and will not be mentioned here) that have improved the Council's resilience.</p> <p>These measures will enable the Council to better deliver services in many areas.</p> <p>ARA will continue to assist the Council where necessary to both full recovery and, beyond this, to provide assurance on the efficacy of its ICT arrangements.</p>
<p>Peer Review</p>	<p>The report from the Peer Review team was positive regarding the Council's progress on its objectives, its recovery from the cyber incident and made recommendations for further improvements.</p> <p>ARA can assist to implement the recommendations as required.</p>

7. Certification

- 7.1 To the best of our knowledge, the Council’s governance arrangements and the local Code of Corporate Governance have operated effectively throughout 2022-23.
- 7.2 The most important issue in 2021-22 was the cyber security incident. This was a highly sophisticated cyber-attack that any organisation could have succumbed to. Throughout 2022-23, the Council demonstrated its resilience by responding swiftly. Working with government agencies and IT experts, the Council promptly enhanced its IT security, and will be more resilient to such incidents in the future.
- 7.3 The Council will continue to be vigilant to IT and other risks, address these accordingly, and further enhance governance arrangements as appropriate.
- 7.4 The Council will ensure that the AGS is current at the time of signing. Should a different conclusion on the adequacy of governance arrangements during this period be necessary, then any potential impacts will be highlighted in the AGS.
- 7.5 The Senior Management Team (SMT) will oversee this action plan over the coming year and report progress to the AGC. SMT will ensure that governance issues continue to be promoted, addressed and monitored throughout the year.
- 7.6 We, the undersigned, are satisfied that appropriate governance arrangements are in place. We propose over the coming year to continue to review and, where appropriate, enhance the Council’s governance arrangements.



Signed:

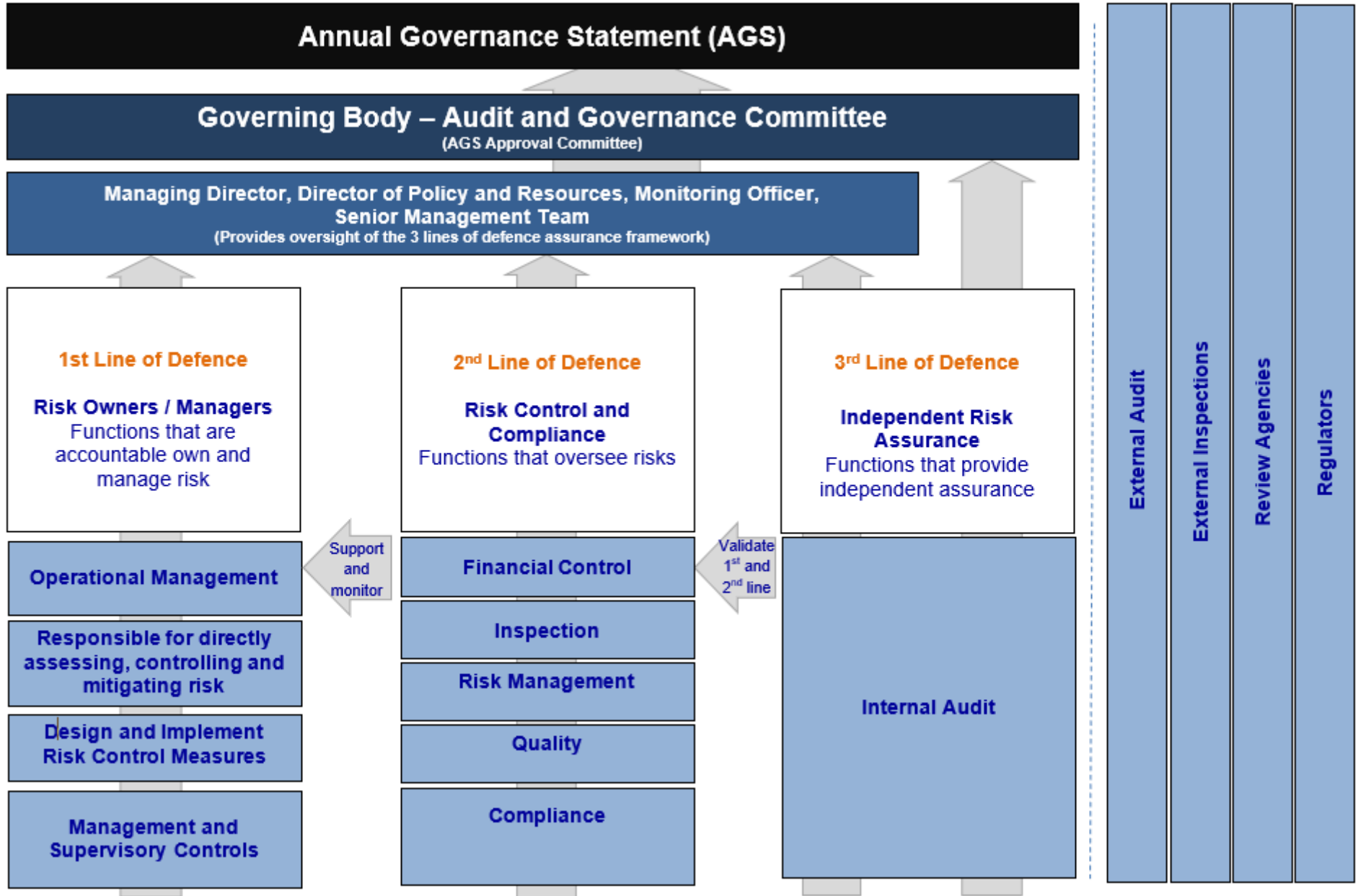
Richard Cook
Leader of the Council

Jon McGinty
Managing Director

Date: 30th June 2023

 30th June 2023

Appendix A – The Council’s Governance, Risk and Control Assurance Framework



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Meeting:	Audit and Governance Committee	Date:	17th July 2023
	Council		21st September 2023
Subject:	Audit and Governance Committee Annual Report 2022-23		
Report Of:	Chair – Audit and Governance Committee		
Wards Affected:	Not applicable		
Key Decision:	No	Budget or Policy Framework:	No
Contact Officer:	Piyush Fatania - Head of Audit Risk Assurance		
	Email:	Tel: 01452 328883	
	Piyush.Fatania@gloucestershire.gov.uk		
Appendices:	A: Audit and Governance Committee Annual Report 2022-23		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The Annual Report of the Chair of the Audit and Governance Committee (the Committee) summarises the Committee's activities during 2022-23 and sets out its plans for the next twelve months.
- 1.2 This report provides independent assurance that the Council has in place:
- i. Adequate and effective governance, risk management and internal control frameworks;
 - ii. Internal and External Audit services; and
 - iii. Financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to:
- i. **RESOLVE** to agree the Audit and Governance Committee Annual Report 2022-23; and
 - ii. **RECOMMEND** to Council that the Annual Report 2022-23 be approved.

3.0 Background and Key Issues

- 3.1 The Council is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public money is safeguarded,

properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council is responsible for putting in place the proper arrangements for the governance of its affairs.

- 3.2 A sound corporate governance framework involves accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions and leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence.
- 3.3 Audit Committees are widely recognised as a core component of effective governance. Their key role is to independently oversee and assess the internal control environment (comprising governance, risk management and control) and advise the Council on the adequacy and effectiveness of these arrangements.
- 3.4 The Council's Audit and Governance Committee ("Committee") was established in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The guidance recommends that Audit Committees should prepare an annual report to the governing body (full Council), which sets out the Committee's work on how they have discharged their responsibilities.
- 3.5 The Audit and Governance Committee Annual Report 2022-23 at **Appendix A** fulfils the above requirement.

4.0 Social Value Considerations

- 4.1 There are no social value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

- 5.1 There are no environmental implications as a result of the recommendations made in this report.

6.0 Alternative Options Considered

- 6.1 Consideration has been given to not producing an Annual Report, however this has been discounted due to the CIPFA requirements as stated within paragraph 3.4.

7.0 Reasons for Recommendations

- 7.1 The Committee's terms of reference includes the accountability arrangement to provide an annual report to Council. The report should capture the Committee's performance in relation to the terms of reference criteria and confirm that the Council's systems of governance are operating effectively.
- 7.2 The approach assists in the Committee's independence from the executive and scrutiny functions. In addition, it provides status and clarity to the Committee's role.

8.0 Future Work and Conclusions

8.1 In accordance with CIPFA guidance, the Committee will continue to present an Annual Report to the full Council.

8.2 The Committee's work programme is dynamic. The programme will continue to be reviewed to ensure the Committee maximise its contribution to the governance and control framework, while managing agendas to ensure that all meetings are focused on the Council's key risks and issues.

9.0 Financial Implications

9.1 None directly arising from this report.

(Financial Services have been consulted in the preparation this report).

10.0 Legal Implications

10.1 None directly arising from this report.

(One Legal have been consulted in the preparation this report).

11.0 Risk and Opportunity Management Implications

11.1 Audit committees are a key component of a council's governance framework. The Committee's Annual Report is part of the overall internal control arrangements and risk management process.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 A PIA is not required.

13.0 Community Safety Implications

13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Background Documents:

Audit and Governance Committee meeting papers and minutes 2021/22
Constitution: Audit and Governance Committee Terms of Reference

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ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND GOVERNANCE COMMITTEE – DRAFT

2022-23

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Foreword

As Chair of the Audit and Governance Committee, I am pleased to present this report on our contribution to the Council's oversight of risk and governance for 2022-23.

Effective management and governance are important to ensure that the Council successfully delivers crucial services to our community, improves performance and reduces the risk of not achieving our objectives.

The Audit and Governance Committee (the Committee) is a core component of effective governance. Our role is to independently oversee and assess the internal control, governance and risk management environment and to constructively advise the Council on the adequacy and effectiveness of these arrangements.

The Committee considers and monitors internal and external reports, and recommends actions to the Council to address any deficiencies.

We undertake a substantial range of activities and work closely with the Head of Finance and Resources (Section 151 Officer), the Monitoring Officer, Internal and External Audit.

Our work programme is structured around the Committee's main areas of responsibility. It is reviewed and agreed at each meeting to enable key tasks to be considered and delivered.

Through our work programme we have provided independent assurance on the adequacy of the governance, risk management and control environment. This includes assurance on the Council's performance where this affects exposure to risk and weakens the control environment. We have also overseen the statutory financial reporting process.

In addition to this, Members have requested additional detailed reports from officers on particular areas where we felt this to be helpful for assurance purposes.

The External Auditor has not completed their audit of the Council's statutory accounts for 2020-21 or 2021-22. Therefore, the Committee have not been able to sign these off. The Committee have, however, received and approved the Annual Governance Statement for 2021-22.

During 2022-23, the Council has been recovering from the cyber incident. The Committee played an important role in this by questioning management on the Council's actions and scrutinised responses. We will continue to monitor IT and other risks to ensure the Council mitigates against these.

This report is to inform Council of the Committee's work in 2022-23 and to note our opinion on the standard of governance, risk management and audit arrangements in place.

The Committee has made a positive contribution to the Council's overall governance, control and risk management and has been successful in fulfilling its terms of reference. I am satisfied that the Council has maintained an adequate and effective internal control framework through the period covered by this report.

Councillor Declan Wilson

Chair of the Audit and Governance Committee

1. Background

- 1.1 Gloucester City Council (the Council) is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council must ensure that it has proper arrangements for the governance of its affairs in place.
- 1.2 A sound corporate governance framework involves accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions, leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence. Audit Committees are widely recognised as a core component of effective governance.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) confirm that "Audit Committees are a vital part of any organisation". The Council's Audit and Governance Committee (the Committee) is responsible for overseeing corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement (AGS). The Committee's specific powers and duties are set out in the Council's Constitution.
- 1.4 The key benefits of the Audit and Governance Committee are:
 - i. Maintaining public confidence in the objectivity and fairness of financial and other reporting. This includes providing a focus on financial reporting throughout the year, leading to confidence in the objectivity and fairness of the financial governance arrangements operating within the Council;
 - ii. Reinforcing the importance and independence of Internal and External Audit and any other similar review process;
 - iii. Considering assurance from various sources and holding management to account;
 - iv. Providing assurance through a process of independent and objective review, via the Internal Audit service, provided by Audit Risk Assurance (ARA);
 - v. Raising the Council's awareness of the need for governance, ethical behaviour, internal control and the implementation of audit recommendations; and
 - vi. Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.
- 1.5 The Committee is established in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities and Police – 2022". It has a direct reporting line to Full Council, and the Chair also has direct access to the Managing Director and the Leader, as required.
- 1.6 Despite the challenges faced by the Council in 2022-23, the Committee maintained a detailed work programme for its main areas of activity which it considered and updated at each meeting.

- 1.7 The Committee met five times during the year and each meeting had a full and wide-ranging agenda, reflecting its broad role.

2. Committee Role and Responsibilities

- 2.1 The core functions of the Committee are incorporated in its [terms of reference](#). They are presented under the main areas of activity, which are to oversee:

- i. Audit activity (Internal, External and any Inspections);
- ii. Regulatory framework; and
- iii. The Statutory Accounts and AGS.

- 2.2 The Committee raises awareness of the need for sound internal control and risk management arrangements. The Committee's presence and effective operation provide assurance to the Council and stakeholders about these important aspects of governance.

3. Audit Committee Membership

- 3.1 The Committee's membership of nine elected Councillors for 2022-23 was:

- i. Councillor Wilson (Chair);
- ii. Councillor Gravells (Deputy Chair);
- iii. Councillor Brooker;
- iv. Councillor Bowkett;
- v. Councillor Durdey;
- vi. Councillor Melvin;
- vii. Councillor Patel; and
- viii. Councillor Pullen;

- 3.2 The Council's officers and External Auditor (Deloitte) support the Committee. Key officer engagement is principally via the Head of Finance and Resources (S151 Officer), the Monitoring Officer and the Head of ARA.

4. 2022-23 Committee Achievements

- 4.1 The Council's focus in 2022-23 was on recovery from the cyber incident and officers worked hard to address the position and minimise the impact on customers.
- 4.2 The Committee received regular updates on the Council's recovery to ensure understanding of the risks and the relevant action plan.
- 4.3 The Committee asked questions of management regarding the Council's response to the incident and scrutinised these.
- 4.4 The IT position necessitated an update to the Internal Audit Annual Plan for 2022-23 which was overseen and agreed by the Committee.

- 4.5 The Committee will continue to oversee the Council's recovery from the incident and to ensure that mitigating actions minimise the likelihood of a reoccurrence.
- 4.6 The Committee continued to oversee the Council's work on risk management, governance, treasury management and anti-fraud.
- 4.7 The outcomes of the Committee's work in relation to its core functions are summarised below.
- 4.8 **Internal Audit** – the Council's Internal Audit service is provided by Audit Risk Assurance (ARA). The Committee reviewed and considered:
- i. The Internal Audit Annual Plan for 2022-23. The Committee contributed towards the formulation of the Internal Audit Plan. The plan helps Internal Audit to target resources to those areas considered to be the highest risks, or which contribute most to the achievement of the Council's corporate objectives;
 - ii. Following this, the Committee oversaw amendments to the Internal Audit Plan 2022-23, which were necessitated after the cyber incident. The Committee received regular management updates on the incident and the Council's recovery position to date, to ensure understanding of the risks and the relevant action plan;
 - iii. The Head of ARA's Annual Report and opinion for 2021-22. This provided an Acceptable opinion on the effectiveness of the Council's internal control environment and summarised the activity upon which that opinion was based. The Committee can therefore take reasonable assurance that there is a sound system of internal control in place at the Council;
 - iv. Internal Audit reports – this included receiving responses from officers and Members;
 - v. Reports on Internal Audit's progress against the Annual Audit Plan through regular update reports presented by the Head of ARA;
 - vi. Management progress to address control weaknesses identified in Internal Audit reports where a limited opinion on the control environment has been provided; and
 - vii. The outcomes of special investigations undertaken by the Internal Audit Counter Fraud team. This included progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise.
- 4.9 **External Audit** – the Committee have monitored the work of the External Auditor and have:
- i. Received and considered regular External Audit progress reports;
 - ii. Considered and accepted the Audit Results Report;
 - iii. Considered and approved the Letter of Representation; and
 - iv. Considered and accepted the External Auditor's Plan for 2022-23.

- 4.10 The External Auditor has not completed their audit of the Council's statutory accounts for 2020-21 or 2021-22. Therefore, the Committee have not been able to sign these off.
- 4.11 **Risk Management – the Committee:**
- i. Received regular risk management update reports (including the review of the Strategic Risk Register); and
 - ii. Considered risk and opportunity management implications within Internal Audit reports.
- 4.12 Risk management is a key component of effective governance. The Committee and senior management supported an independent review of the Council's risk management arrangements. Key outcomes from the review were included in the Risk Management Action Plan 2022-23. The report was presented to the Committee in July 2022.
- 4.13 **Regulatory and Governance – the Committee:**
- i. Reviewed and approved the Council's 2021-22 Local Code of Governance (the Code) and AGS. The Code will be kept under review and be subject to Internal Audit inspection to verify supporting evidence;
 - ii. Reviewed the progress made by management to address the required actions identified in the 2020-21 AGS Improvement Plan;
 - iii. Considered updates on key areas including the Appointment of an Independent Member (an action from the most recent self-assessment of the effectiveness of the Committee); and the Council's ICT position;
 - iv. In 2023-24, the Committee will receive and scrutinise an Assurance Map. This will identify areas of assurance and identify any gaps; and
 - v. The Committee have recruited to and have appointed an independent person as an additional member. This is a non-political appointment that will enhance the independence of the Committee.
- 4.14 **Treasury Management – is a key area for the Committee to monitor. The Committee considers and recommends approval by Full Council of amendments to the investment strategy in response to changing market conditions. The Committee has:**
- i. Approved the half yearly Treasury Management activity reports; and
 - ii. Considered and recommended to Full Council for approval the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23 (through the March 22 Committee meeting). These reports set the Council's prudential indicators and the treasury strategy for the respective periods. This is a key area for the Committee to monitor, consider and recommend to Full Council for approval amendments to the investment strategy in response to constantly changing market conditions.

4.15 Annual Statement of Accounts and the AGS – the Committee:

- i. Had not been able to sign off the Council's 2020-21 or 2021-22 statutory accounts as External Audit have not completed an audit of these periods.
- ii. Ensured appropriate accounting policies had been followed and considered whether there were any concerns that needed the attention of Council. Following scrutiny, the Committee approved the annual Statement of Accounts; and
- iii. Considered and approved the AGS for 2021-22.

5. Work Programme

- 5.1 The Committee can report that the majority of governance functions and processes are well-controlled and delivered.
- 5.2 Where Internal Audit reports revealed risks of concern, the Committee have asked questions to management to explain their plans to rectify any areas of weakness.
- 5.3 Recent reports to the Committee have indicated that further work is needed on some areas around anti-fraud and risk management arrangements.

6. Training

- 6.1 A breadth of training opportunities were offered to all Members within the year.
- 6.2 In addition to the above, the following training was specifically made available to members of the Committee to support them in discharging their responsibilities:
 - i. Role of Internal and External Audit;
 - ii. Role of the Audit Committee in relation to the Annual Statement of Accounts;
 - iii. Role of the Audit Committee in relation to governance, risk and control;
 - iv. The Committee's standards role; and

7. Conclusions

- 7.1 The Committee has been successful in maintaining oversight of the Council's governance, risk management and internal control framework throughout 2022-23 and providing constructive challenge.
- 7.2 The Committee's work programme is dynamic. The programme is regularly reviewed to ensure the Committee maximises its contribution to the governance and control framework, while ensuring that the agenda for meetings are focused on key issues.
- 7.3 The Committee is committed to ensuring high governance standards are maintained.

7.4 During 2023-24, the Committee will continue to be an important source of assurance over the Council's risk management and control environments, and the financial and performance reporting arrangements.

7.5 In particular, the Committee will continue to:

- i. Support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations;
- ii. Monitor actions arising from the AGS Action Plan for 2022-23, to ensure the Council's governance arrangements are effective; and
- iii. Monitor actions arising from the Risk Management Annual Report 2022-23 Action Plan and support their implementation.

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Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	17th July 2023
Subject:	Draft Internal Audit Plan 2023/24		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	
	piyush.fatania@gloucestershire.gov.uk	01452 328883	
Appendices:	A: Draft Internal Audit Plan 2023/24		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide the Committee with a summary of the draft Risk Based Internal Audit Plan 2023/24, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:

- (1) Agree that the Internal Audit Plan for 2023/24 reflects the risk profile of the Council; and
- (2) Approve the Internal Audit Plan 2023/24 as detailed in **Appendix A**.

3.0 Background and Key Issues

- 3.1 All councils must make proper provision for Internal Audit in line with the Accounts and Audit Regulations 2015 (the Regulations). The Regulations provide that a relevant council 'must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Completion of annual internal audits based on the risk profile of a Council also supports the Section 151 Officer's duty to ensure the proper administration of a council's financial affairs.

- 3.2 The guidance accompanying the Regulations recognises the PSIAS 2017 (the Standards) as representing 'proper Internal Audit practices'. The Standards define the way in which the Internal Audit service should be established and undertake its operations. These Standards require the Head of ARA to produce an Annual Risk Based Internal Audit Plan to determine the priorities of Internal Audit activity.

The proposed activity should be consistent with the Council's priorities and objectives, taking into account the risk management framework, risk appetite levels set by management and Internal Audit's own judgement of risks.

- 3.3 To ensure Internal Audit resources continue to be focussed appropriately, particularly during periods of organisational change, it is essential that we understand the Council's needs. This requires building relationships with key stakeholders, including other assurance and challenge providers, to gain crucial insight and ongoing understanding of the strategic and operational change agendas within the Council.
- 3.4 This insight is not only identified at the initial development stages of the Risk Based Internal Audit Plan. Dialogue continues throughout the financial year(s) and increases the ability for the Internal Audit service to adapt more closely to meet the assurance needs of the Council, particularly during periods of significant change. Our Plan is therefore dynamic and flexible to meet these needs.
- 3.5 To ensure that an effective Plan is developed and alongside Internal Audit's own assessment of risk, a consultation process took place with Corporate Directors, Heads of Service and Service Managers to establish priorities and assurance requirements. Audit and Governance Committee and wider Member audit requests from 2022-23 were also considered as part of the consultation approach. The proposed activity from all sources was collated and matched against Internal Audit's resource availability and prioritised accordingly.
- 3.6 By continuing to apply risk based Internal Audit planning principles, this level of input is considered acceptable to provide the Internal Audit assurance requirements of the Council. The Head of ARA will continue to reassess Internal Audit resource requirements against the Council's priorities and risks and will amend the Plan throughout the year as required. Any key changes to the Plan will be reported to the Audit and Governance Committee.

4.0 Social Value Considerations

- 4.1 There are no Social Value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

- 5.1 There are no Environmental implications as a result of the recommendations made in this report.

6.0 Alternative Options Considered

- 6.1 No other options can be considered as a Risk Based Internal Audit Plan is required by the PSIAS.

7.0 Reasons for Recommendations

- 7.1 A requirement of the PSIAS is for the Head of ARA to produce an Annual Risk Based Internal Audit Plan and for this Plan to be approved by the appropriate body. In the case of the Council, the appropriate body is the Audit and Governance Committee.

8.0 Future Work and Conclusions

- 8.1 Regular reports on progress against the Risk Based Internal Audit Plan and any significant control issues identified will be presented to the Audit and Governance Committee. These will be captured within the Audit and Governance Committee work programme for 2023/24.

9.0 Financial Implications

- 9.1 There are no direct financial implications as a result of the recommendations made in this report. Internal Audit forms part of the Council's governance arrangements.

Financial Services have been consulted in the preparation this report.

10.0 Legal Implications

- 10.1 As set out in the report, the Risk Based Internal Audit Plan assists the Council to discharge its statutory responsibilities under Regulation 5 of the Accounts and Audit Regulations 2015 and significant aspects of the Section 151 Officer's duties. There are no specific legal implications arising from this report.

One Legal have been consulted in the preparation this report.

11.0 Risk and Opportunity Management Implications

- 11.1 Failure to deliver an effective Risk Based Internal Audit Plan will impact on the statutory requirement to provide the Council with an annual independent Internal Audit opinion on the effectiveness of the Council's control environment comprising risk management, control and governance.

12.0 People Impact Assessment (PIA) and Safeguarding:

- 12.1 A PIA is not required.

13.0 Community Safety Implications

- 13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

- 14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Background Documents: [Accounts and Audit Regulations 2015](#)
[PSIAS 2017](#)

CIPFA Local Government Application Note for the UK PSIAS

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AUDIT, RISK AND ASSURANCE – DRAFT INTERNAL AUDIT PLAN FOR 2023-24

Ref	Indicative Quarter	Entity	Audit	Audit Type	Risk Score	Proposed Scope	Risk Register Ref
1	1	Culture	Marketing Strategy	Consultancy	High	Assess the governance arrangements and the progress towards delivering the Council's commitment in this area. Deferred at management request and the updated risk position.	SRR 1.2 and 1.5
2	1	Culture	Statues and Monuments	Consultancy	High	Support on the Cultural Strategy and Statues and Monuments consultancy. Deferred at management's request and the updated risk position.	SRR 1.2
3	1	Corporate	ICT Cyber Incident Support	Assurance	High	Support from ARA on this area. Discussed at each ARA and Section 151 Officer monthly meeting.	SRR 1.9 and 1.10
4	1	Policy and Resources	Agency Staff	Assurance	Medium	Review the: Initial approval process to engage with an agency; Completion and authorisation of relevant timesheets; Scrutiny of agency invoices; and Formalisation of contractual arrangement with individual agencies.	SRR 1.3
5	1	Communities	Housing Strategy	Assurance	High	Assess the governance arrangements and the progress towards delivering the Council's commitment in this area.	SRR 1.1
6	1	Place	Planning Performance and Income	Assurance	Medium	Assess the arrangements in accepting, validating, publicising and determining planning applications. National government measures the Council's performance on the speed and quality of decisions on applications for major development. The Council's activities in monitoring and securing effective performance shall also be reviewed.	SRR 1.2 and 1.3

AUDIT, RISK AND ASSURANCE – DRAFT INTERNAL AUDIT PLAN FOR 2023-24

7	1	Communities	Health and Safety Follow-up	Assurance	High	Assess the effectiveness of the new framework for managing health and safety risks across the Council.	SRR 1.3
8	1	Communities	High Street Heritage Action Zone	Assurance	Medium	Review the systems for processing applications and monitoring grant expenditure. Review the application process, to assess compliance with the guidance, and to establish the level of monitoring undertaken once the grant has been awarded.	SRR 1.5
9	2	Communities	CIL and Section 106 Agreements	Assurance	Follow Up	Assess the setting up of agreements, following on from the monitoring audit of S106/CIL.	SRR 1.4 and 1.8
10	2	Culture	Blackfriars Turnover Certificate	Assurance	Sign-off	Assess whether turnover values stated to English Heritage are in accordance with and supported by documents and records held by the Council.	SRR 1.4
11	2	Place	First Homes	Assurance	Medium	Discussions ongoing with service leads. Audit timing and need dependent on legislation update. First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes.	SRR 1.5
12	2	Climate	Climate and Carbon Reduction	Assurance	High	SMT requested deferral to 2023/24. Assess governance arrangements and the progress towards delivering the Council's commitment in this area. Areas for consideration include: Service Planning, Climate Change Strategy and Canopy Cover.	SRR 1.9 and 1.10
13	2	Communities	Homeless Pathway	Assurance	Medium	Housing Strategy and Homeless Pathway to be risk assessed. Review the effectiveness of the systems for processing applications and monitoring homelessness cases, ensure compliance with	SRR 1.2

AUDIT, RISK AND ASSURANCE – DRAFT INTERNAL AUDIT PLAN FOR 2023-24

						guidance, and level of monitoring following a decision.	
14	2	Council Wide	Contract Management	Assurance	High	Assess effectiveness of management arrangements over governance of contractual arrangements with key partners and third parties	SRR 1.4
15	2	Council Wide	Procurement	Assurance	High	Field Work Started The audit will review a range of recent procurement activities to determine whether these have been made in compliance with the Council's Contract and Procurement Procedure Rules.	SRR 1.2 and 1.4
16	2	Place	City Growth Strategies	Consultancy	Consultancy	Confirm with management the risk position and need. Assess the governance arrangements and the progress towards delivering the Council's commitment in this area.	SRR 1.5
17	2	Culture	Cultural Recovery Fund	Assurance	Medium	Required grant sign-off of the Cultural Recovery Fund	SRR 1.5
18	2	Culture	Culture Grants (Guildhall and Museum)	Assurance	Medium	Assessing the systems and processes in place to ensure effective use of grant allocations	SRR 1.5
19	3	Policy and Resources	Creditors	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6
20	3		Debtors	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6
21	3		Payroll	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6
22	3		Main Accounting Systems, Budgetary Control and Bank Reconciliations	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6

AUDIT, RISK AND ASSURANCE – DRAFT INTERNAL AUDIT PLAN FOR 2023-24

23	3		Fixed Assets & Capital Accounting	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6
24	3		Housing Benefits & Council Tax Reduction	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6
25	3		National Non Domestic Rates (NDR)	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess veracity of internal control in this area.	SRR 1.1 and 1.6
26	4		Treasury Management	Assurance	Financial Audit	Following the cyber incident in 2021-22, assess internal control in this area.	SRR 1.1 and 1.6
27	4	Policy and Resources	IR35 (Off Payroll Working)	Assurance	Medium	Activity deferred for consideration within the 2023-24 internal audit plan risk assessment. To review the systems, policies and procedures in place to ensure that new and existing off-payroll workers are identified, assessed and paid in accordance with IR35 requirements.	SRR 1.3
28	4	Policy and Resources	Test and Trace Support Payment Scheme	Assurance	High	New activity. Grant certification required across seven funding streams. Audit fieldwork to start in January 2023.	
29	4	Communities	Home Improvement Agency	Assurance	Consultancy	Senior Management Team request for audit deferral to 2023/24. Consultancy on the option of the Council to establish a Home Improvement Agency for the delivery of Disabled Facilities Grants	SRR 1.1 and 1.11
30	4	Council Wide	Leavers Processes (Off-Boarding)	Assurance	Medium	This review to assess the effectiveness of arrangements for managing the process for when employees leave the Council.	SRR 1.6
31	4	Council Wide	Employee Wellbeing and Retention	Assurance	Consultancy	Consultancy on employee wellbeing themes: Employee training and retention schemes; A review of the Mental Health & Wellbeing Policy against best practice and industry leaders; and A review of the Agile Working Policy	SRR 1.3

AUDIT, RISK AND ASSURANCE – DRAFT INTERNAL AUDIT PLAN FOR 2023-24

32	4	Policy and Resources	Asset Management Strategy	Assurance	High	Three main lines of consideration: (i) Do the Strategy, policies and guidance, including roles and responsibilities, provide for effective management of assets. (ii) Are processes, systems and tools to manage assets effective and efficient to ensure complete and timely recording, capitalization, depreciation and tagging of assets, tracking of internal and external asset movements and periodic verification and reconciliation of assets. (iii) Are assets adequately safeguarded and utilized as intended	SRR 1.1 and 1.14
33	4	Policy and Resources	Sickness and Absence	Assurance	Medium	Review of Sickness and Absence policy and procedures	SRR 1.3
34	Throughout	Council Wide	Counter Fraud	Assurance	Ongoing	Counter Fraud activity progresses throughout the year and is reported at each Committee.	SRR 1.6
35	Throughout	ICT	ICT Audits	Assurance	High	Selection of ICT audits. Change management and ICT benefits realisation	
36	Throughout	Risk Management	Risk Management Support	Assurance	Ongoing	Advise on the improvements to risk management including but not limited to the Strategic Risk Register, Risk Management Strategy, Risk Appetite and assurance mapping to identify the key sources of assurance.	SRR 1.9 and 1.10
37	Throughout	Support	Management and Planning		Ongoing	Audit Management and Planning time - Corporate Governance, ICT boards.	
38	Throughout	Support	Recommendation Monitoring		Ongoing	This allocation enables Internal Audit to monitor management's progress with the implementation of high priority recommendations.	

AUDIT, RISK AND ASSURANCE – DRAFT INTERNAL AUDIT PLAN FOR 2023-24

39	Throughout	Contingency	Contingency		Ongoing	An allowance of time to allow for flexibility regards emerging risks.	
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Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	17th July 2023
Subject:	Internal Audit Activity Progress Report 2023/24		
Report Of:	Head of Audit Risk Assurance (ARA)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Piyush Fatania, Head of ARA		
	Email:	Tel:	
	piyush.fatania@gloucestershire.gov.uk	01452 328883	
Appendices:	A: Internal Audit Activity Progress Report 2023-24		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2023-24.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:

- (1) Accept the progress against the Internal Audit Plan 2023-24; and
- (2) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).

3.0 Background and Key Issues

- 3.1 Members approved the Internal Audit Plan 2023-24 at the 17th July 2023 Audit and Governance Committee meeting. In accordance with the Public Sector Internal Audit Standards 2017 (PSIAS), this report (through **Appendix A**) details the outcomes of Internal Audit work carried out in accordance with the approved Plan.
- 3.2 The Internal Audit Activity Progress Report 2023-24 at **Appendix A** summarises:
- The progress against the 2023-24 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
 - The continued ARA engagement with senior management regards the Council's ICT risk position and the impact on Audit Plan activities; and
 - Special investigations/counter fraud activity.

4.0 Social Value Considerations

4.1 There are no Social Value implications as a result of the recommendations made in this report.

5.0 Environmental Implications

5.1 There are no Environmental implications as a result of the recommendations made in this report.

6.0 Alternative Options Considered

6.1 No other options have been considered. The purpose of this report is to inform the Committee of the Internal Audit work undertaken to date and the assurance opinions provided. Non-completion of Internal Audit Activity Progress Reports would lead to non-compliance with the PSIAS and the Council Constitution (see report section 7.2 and 7.3).

7.0 Reasons for Recommendations

7.1 The role of the ARA Shared Service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council's internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.

7.2 The PSIAS state the Head of ARA should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and what unresolved risks or issues it needs to address.

7.3 Consideration of reports from the Head of ARA on Internal Audit's work and performance during the year is also a requirement of the Audit and Governance Committee's terms of reference (part of the Council Constitution).

8.0 Future Work and Conclusions

8.1 In accordance with the PSIAS and as reflected within the Audit and Governance Committee work programme, the Annual Report on Internal Audit Activity against the approved Internal Audit Plan 2023-24 is scheduled to be presented at the 17th July 2023 Audit and Governance Committee meeting.

9.0 Financial Implications

9.1 There are no Financial implications as a result of the recommendations made in this report.

10.0 Legal Implications

10.1 Monitoring the implementation of Internal Audit recommendations assists the Council to minimise risk areas and thereby reduce the prospects of legal challenge.

There are no legal implications arising from this report.

11.0 Risk and Opportunity Management Implications

11.1 Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 A PIA is not required.

13.0 Community Safety Implications

13.1 There are no Community Safety implications as a result of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

14.1 There are no Staffing and Trade Union implications as a result of the recommendations made in this report.

Background Documents: [Internal Audit Plan 2021/22](#)
[PSIAS](#)

CIPFA Local Government Application Note for the UK PSIAS

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PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

JULY 2023

1. Introduction

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of ARA is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Governance Committee. This report summarises:
- i. The progress against the Internal Audit Plan 2023-24;
 - ii. The outcomes of the 2022-23 and 2023-24 Internal Audit activity delivered up to mid June 2023; and
 - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

2. Summary of 2022-23 and 2023-24 Internal Audit work delivered up to mid June 2023

- 2.1 The following Assurance criteria are applied to Internal Audit reports:
- i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2.2 Activity Name: Procurement (Service Area: Finance)

- i. Assurance Level for this report: **Limited**; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	4
Medium Priority:	2
Low Priority:	0
Rejected:	0

2.3 **Scope** - this audit reviewed the procedures and controls in place regarding procurement.

2.4 Key Findings

- i. Following the cyber incident in November and December 2021 the main focus of Gloucester City Council (the Council) was to ensure the continued operation of its services. The Interim Head of Finance and Resources advised Internal Audit that certain key procurement controls (see below) were suspended and remain so as at the point of this audit. This was to ensure that payments were verified effectively and correctly paid to suppliers. However, the relaxation in the control environment, and therefore a change in the Council's risk appetite, has not been formally documented and managed through the Strategic Risk Register;
- ii. The Contract Rules, which form part of the Constitution, were approved by the full Council on 30th January 2020. The Contract Rules are available to officers for guidance when performing procurement activity;
- iii. Procurement training to officers was suspended following the cyber incident and, as at the point of this audit, has not been reinstated. The Interim Procurement Advisor has updated the procurement training material and plans to provide refresher training to senior managers and budget holders during 2023-24;

Risk: Officers are not fully aware of the Council's Contract Rules and procurement regulations resulting in non-compliance, financial losses, and adverse publicity.

Recommendations: Procurement training should be recommenced and provided to all authorised officers and new starters as part of their mandatory induction training.

Contract management and procurement guidance should then form part of the Council's mandatory programme of regular officer training;

- iv. The Interim Procurement Officer advised Internal Audit that before the cyber incident he regularly performed oversight and monitoring of expenditure to ensure procurement compliance with Contract Rules. At the point of this audit the key control had not been reinstated, although there are plans to recommence in 2023-24;

Risks: Non-compliance with Contract Rules and procurement regulations resulting in:

- a. Challenge by alternative contractors who have not been offered the opportunity to submit a quotation or tender;
- b. Reputational damage;
- c. Breach of legislation and fines; and
- d. Fraud and corruption.

Recommendations: Regular monitoring of expenditure by the Interim Procurement Advisor should be reintroduced.

A quarterly review of ProContract procurement activity should be undertaken to confirm that all events are promptly and properly completed and that no events have been deleted.

Consideration should be given to providing an annual report to the Audit and Governance Committee of identified procurement issues;

- v. A sample of 17 purchase orders for the period January 2022 to January 2023 was selected by Internal Audit to confirm compliance with the Contract Rules. The main results of the tests highlighted the following:
 - a. The dedicated e-tendering procurement system (ProContract) was not used to procure the expenditure as required by Contract Rules (five cases). In addition, there was no formal evidence that quotes were obtained from other suppliers (three cases);
 - b. Multiple procurement activity undertaken for similar types of expenditure possibly creating additional work for officers and reduction in value for money – one case;
 - c. Procurement events have not been fully actioned on ProContract. In particular publication to Contracts Finder for advertising, notification of award of the contract on Contracts Finder and or update to the Contracts Register – 13 cases;
 - d. Framework agreements have not been updated to ProContract. There is therefore a lack of evidence to confirm the supplier award has been published on Contracts Finder and the Contracts Register – two cases; and
 - e. A procurement waiver to the Contract Rules was not formally approved by One Legal and the previous Section 151 Officer – one case.
- vi. There is a lack of an effective regular review of procurement activity on ProContract to confirm completion of all required events with no deletions;

- vii. A dedicated procurement officer has been contracted, since at least 2018, by the Council for one and a half days a week. The role is to provide procurement guidance to officers and deliver an oversight and monitoring role (second line of defence). Since the officer was contracted the procurement activity of the Council has significantly changed and more high-profile projects have been initiated;

Risk: Ineffective procurement advisory, oversight and monitoring function resulting in additional costs, non-compliance with Contract Rules and procurement regulations and adverse publicity.

Recommendations: A review of the Council's requirements for the procurement advisory, oversight and monitoring role should be undertaken to confirm it is still appropriate and effective.

As part of the above assessment the Council's risk appetite to procurement should be determined, documented, and used to help inform the review. The results should then be implemented;

- viii. There are four officers assigned the ProContract systems administrator function. This is an important high-level access which enables them, amongst other things, to setup new users, assign privileges and open the seal to supplier tenders. One officer assigned this access may not be considered independent of the procurement process, which may result in dilution of the segregation of duties control;

Risk: Erosion of separation of duties key control in the procurement process resulting in unauthorised activity, financial losses, and reputational damage.

Recommendations: The systems administrator function should be removed from the Senior Building Works Surveyor. If appropriate it should be reassigned to an appropriate senior officer in Finance.

Going forward the systems administrator function should be limited to a small number of officers who are independent of the procurement process;

- ix. The Cabinet Office issued a Procurement Policy Note (PPN 10-21) in December 2021 providing advance notification of a change to the methodology for estimating contract values. The change required Value Added Tax (VAT) to be included when assessing the contract value and therefore applying the appropriate procurement threshold process. This change has not been incorporated in the Contract Rules and nor was a global communication sent out to officers;

Risk: Officers may not be fully aware of procurement regulations resulting in non-compliance and financial losses including adverse publicity.

Recommendations: Contract Rules should be promptly updated to reflect current procurement regulation changes.

Officers should be promptly made aware of any new procurement regulations and changes to the Contract Rules;

- x. At the point of this audit there were 48 officers with ProContract access to obtain supplier quotes or apply a full competitive procurement process. A review by Internal Audit of user access established the following:
 - a. Seven officers had not logged on to the system (oldest dated 2012) since first assigned access; and
 - b. 21 officers (excluding the seven above) have not logged on to the system for more than a year (oldest was 2016). At least one of the officers has left the Council's employment in January 2021.

Risk: Unauthorised access to the Council's procurement system resulting in adverse publicity, disruption, and fraudulent activity.

Recommendations: A review of user access should be undertaken by the Interim Procurement Advisor to identify and remove officers that do not require or should not have access to the procurement system.

At a minimum, a six-monthly review of user access should then be undertaken. Users that have not signed into the procurement system for more than four months should be contacted to confirm their access is still required or removed.

2.5 **Activity Name - Housing, Homelessness and Rough Sleeping Strategy (Service Area: Communities)**

- i. Assurance Level for this report: **Acceptable**; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	1
Medium Priority:	0
Low Priority:	0
Rejected:	4

2.6 **Scope** – this audit reviewed the governance arrangements around Gloucester City Council's (the Council) Housing, Homelessness and Rough Sleeping Strategy (HH&RS Strategy). In addition, the progress towards delivering the Council's commitments in this area were reviewed.

2.7 **Key Findings**

- i. A HH&RS Strategy for the period 2020-25 has been developed, documented, and approved by the Managing Director and Members;
- ii. The HH&RS Strategy is corporately owned, with Housing Services responsible for its delivery;

- iii. The links between the four performance measures to the 17 outcomes and 49 actions are not formally documented within the HH&RS Strategy. The same holds true for the 27 performance measures recorded in the Housing Service Plan. The Director of Communities was able to demonstrate four examples of links between the HH&RS Strategy and the Housing Service Plan;

Risks: Non- achievement of the Council's HH&RS Strategy vision due to lack of governance.

Inability to establish whether the actions being undertaken will contribute towards the achievement of the key performance measures.

Recommendation: Formally document the linkage between the actions and outcomes against the four key performance measures in the HH&RS Strategy and to those in the Housing Service Plan;

- iv. Internal Audit raised a further two high and two medium priority recommendations to mitigate the risks associated with the findings detailed below. Management have not accepted the recommendations and have instead chosen to accept the risks;
 - a. There are no documented target outcomes for the four performance measures in the HH&RS Strategy or for 20 of the 27 measures recorded in the Housing Service Plan. Therefore, it may be difficult to establish the performance of the Council in this area and whether it is achieving its vision and objectives. In addition, the performance measures do not fully conform to the SMART principles (High priority). The risks are non-achievement of the Council HH&RS Strategy vision due to lack of governance. In ability to establish whether the results are showing progress towards, or achievement of, the Council's objectives;
 - b. Between six and seven of the 27 Housing performance measures are combined with other service areas' results and reported quarterly to Members. Reasons for any under or over performance are also recorded. There is however no separate reporting of all 27 performance measures to the Overview and Scrutiny Committee. (High priority). The risks are senior management and Members are unable to apply due focus, specific to the performance of the HH&RS Strategy. In addition, they may not be able to obtain full understanding of whether the Council's objectives have been successfully achieved;
 - c. The 2022-23 Housing Service Plan detailed its top three operational risks of which two were directly associated with the HH&RS Strategy. These risks were focused towards COVID-19, rather than on the other current factors affecting housing such as the cost-of-living crisis and the effects of the conflict in Ukraine (Medium priority). Risks may not be understood or successfully managed resulting in adverse publicity, loss of reputation and hardship; and
 - d. Another officer does not independently check to source data to confirm that the performance results reported to senior management and Members are correct; (Medium priority). The risks are that incorrect performance results are reported resulting in perceived over or under achievement of targets and incorrect management decisions.

- v. The Housing Recovery Action Plan (actions in the HH&RS Strategy) and Rough Sleeping Action Plan updates were provided to the Overview and Scrutiny Committee and the Cabinet in March 2021. The Cabinet received a similar update for 2022, but the Overview and Scrutiny Committee did not request one. Instead, they requested and received a focused report on the performance of affordable homes delivery;
- vi. The Director of Communities advised Internal Audit that a review of the HH&RS Strategy is undertaken on an annual basis. Also, that the annual update report details whether anything has influenced progress, where priorities have changed and what the reasons for this are.

2.8 **Activity Name: Test and Trace Support Payment Scheme (Service Area: Policy and Resources)**

- i. Assurance Level for this report: An assurance level is not required for this activity; and
- ii. No recommendations arose from this review.

2.9 **Scope** - This audit was to review funding received by Gloucester City Council via the Test and Trace Support Payment Scheme (TTSPS). Internal Audit's review was to ensure the expenditure incurred was in accordance with the guidance and grant determinations supplied by the Department for Health and Social Care (DHSC).

2.10 **Key Findings**

- i. As a result of the Covid-19 pandemic, the UK Government implemented local and national restrictions on movement, commerce, and public activity throughout 2020 and 2021. The UK Government attempted to curtail the spread of Covid-19 by requiring a period of self-isolation after testing positive for Covid-19 (or being identified as a close contact of someone who had).
- ii. To support those who might encounter hardship by being required to remain at home (and unable to work), the TTSPS was rolled-out. These payments of £500 to eligible individuals were administered by the relevant council. The TTSPS could be received via the 'Standard Scheme' or via the 'Discretionary Scheme'. The Standard Scheme eligibility criteria were set by central government. The criteria for payments to be made via the Discretionary Scheme were agreed and approved by the GCiC Councillors with the aim of supporting local residents.
- iii. Internal Audit confirmed that GCiC had received a total of £554,882 in funding. The total spend on support between the Standard and Discretionary Schemes as well as administration was £575,210.96. The breakdown of the spend was as follows;
 - a. Standard Scheme £279,500, overspend of £54,000;
 - b. Discretionary Scheme £187,500, overspend of £1,000; and
 - c. Administration costs at £108,210.96, remaining balance £34,670.84.

- iv. Internal Audit sighted the grant determinations and the guidance provided by the DHSC in August 2021. These indicated that overspends within the discretionary scheme would not be liable for reimbursement. Discussions with the Revenues and Benefits Manager that led on the scheme identified that there had been guidance provided and direct contact with the DHSC that confirmed this funding could be reclaimed. It is accepted that throughout the time the scheme was operational, there were a number of changes to the guidance due to the fluid nature of the Covid-19 pandemic. Therefore, GCiC may wish to pursue a course of action for the reclaiming of this £1,000. This is to be resolved directly between GCiC and the DHSC.

2.11 **Audit Activity: Section 31: Biodiversity Net Gain**

- i. Assurance Level for this report: An assurance level is not required for this activity; and
- ii. No recommendations arose from this review.

2.12 **Scope** – The Environment Act 2021 included provisions that made the achievement of 10% biodiversity gain mandatory for most developments under the Town and Country Planning Act 1990. The requirement is due to come into force in November 2023 after a transition period. The grant was intended to support local planning authorities in their preparations for the introduction of mandatory Biodiversity Net Gain (BNG), and provided by the Department for Environment, Food, and Rural Affairs (DEFRA). £26,807 of funding was allocated to the Council under grant determination 31/6499.

2.13 This audit reviewed whether the conditions of the grant determination had been complied with.

2.14 **Key Findings**

- i. The grant determination was provided to Gloucester City Council (GCC) in March 2023 with the requirement for evidence and declaration to be provided back to DEFRA by the 30th March 2023. At the time of the audit review GCC was still awaiting the grant funding.
- ii. For GCC the BNG grant was managed by the Planning team. Discussion with the Accountancy Manager confirmed that a ring-fenced cost centre would be created for the BNG grant funding when received. This cost centre had not yet been created owing to the continued recovery from the cyber incident.
- iii. The Planning team had to provide two documents to DEFRA. The first (Annex C i) was a declaration confirming agreement to the grant conditions found in the grant determination 31/6499. The second document (Annex C ii) was a summary of evidence of works carried out regarding BNG and the value of the works completed that also required return to DEFRA. The total estimated costs for 2022-23 stood at £2,000. Annex C ii was submitted on conclusion of the audit.

- iv. Due to the deadline attached to the document Annex C ii, it had been completed with estimates for the works undertaken in preparation for BNG. Internal Audit reviewed the estimated costs that were to be charged to the grant funding once received from DEFRA. These were all found to be reasonable with evidence provided to Internal Audit for estimated costs having supporting documentation.
- v. At the end of March 2023, it was expected that there would be an underspend of £24,807 from this specific stream of funding. The grant determination confirmed that on the condition that the funding remained ring-fenced for future BNG use it would not be liable for repayment and could be used in 2023-24.

3. Counter Fraud Update – Summary of Counter Fraud Activities

- 3.1 To date in 2023-24 there have been two new referrals made to the ARA Counter Fraud Team (CFT).
- 3.2 Both cases are ongoing, and the outcomes will be reported to the Committee on their completion.
- 3.3 Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.
- 3.4 It should be noted that many of the cases referred to the CFT involve intricate detail and, sometimes, police referral. This invariably results in a delay before the investigation can be classed as closed and the summary outcome reported to Committee.
- 3.5 In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.

Previous Years' Referrals

- 3.6 The CFT has recently closed the two Covid-19 grant cases carried forward from prior years.
- 3.7 Despite extensive work undertaken by Gloucester City Council staff and the CFT it was not possible recover the Covid-19 funds fraudulently claimed by the two individuals. One claim of £10,000 involved multiple councils across the country.
- 3.8 The fraudulent applications (£10,000 and £25,000) have been referred to the Department for Business and Trade (previously known as the Department for Business, Energy and Industrial Strategy (BEIS)) as per central government guidance.
- 3.9 One ongoing case concerns licensing (animal welfare) related issues. A Newton Hearing had been set for 1st June 2023 at Gloucester Crown Court. However, the CFT has been notified that this has now been postponed until September 2023. This is to clarify issues between the prosecution and defence before sentencing can take place.

National Fraud Initiative (NFI)

- 3.10 The CFT continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data matching reports for the 2022-23 exercise have been released for review.
- 3.11 It should be noted that the changes of working practices following the December 2021 cyber-attack impacted on the data available to be uploaded for the 2022-23 exercise. Therefore, it is recognised that this may have created false positive matches.
- 3.12 Full details of the NFI timetables can be found using the link available on GOV.UK website – www.gov.uk/government/publications/national-fraud-initiative-timetables.
- 3.13 Examples of NFI data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader or operator, taxi drivers and personal licences to supply alcohol.
- 3.14 Not all matches are investigated. Where possible, all recommended or high fraud risk matches are reviewed by either the CFT or the appropriate service area within the Council.

National Anti-Fraud Network (NAFN)

- 3.15 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.
- 3.16 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.
- 3.17 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.

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Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
Completion of 2022-23 Work									
1	1	3 and 4	Policy and Resources	Agency Staff	Assurance	Medium	Field Work Started	Field Work Started	Fieldwork in progress.
2	2	3	Communities	Housing Strategy	Assurance	High	Final Report Issued	Draft Report Issued	Final report issued
3	2	3	ICT	ICT Audits	Assurance	High	Field Work Started	Field Work Started	The Information Governance Board (IGB) has requested ARA feedback on draft ICT policies. This work is in progress.
4	3	3	Council Wide	Procurement	Assurance	High	Final Report Issued	Field Work Started	Final report issued June 2023.
5	NEW	4	Policy and Resources	Test and Trace Support Payment Scheme	Assurance	High	Final Report Issued	Planned	Final report issued June 2023
6	NEW	4		Section 31 Biodiversity Net Gain	Assurance	High	Final Report Issued		Grant audit. Notification of audit requirement received March 2023.
Work Planned for 2023-24									
11	1	N/A	Culture	Marketing Strategy	Consultancy	Consultancy	Planned		Assess the governance arrangements and the progress towards delivering the Council's commitment in this area. Deferred at management request and the updated risk position.
12	1	N/A	Culture	Statues and Monuments	Consultancy	Consultancy	Planned		Support on the Cultural Strategy and Statues and Monuments consultancy. Deferred at management's request and the updated risk position.
13	1	N/A	ICT	ICT Cyber Incident Support	Assurance	High	Planned		Support from ARA on this area is available and accessible. Area discussed at each ARA and Section 151 Officer monthly meeting. Draw down not required as at June 2023.
19	1	N/A	Place	Planning Performance and Income	Assurance	Medium	Planned		Assess the arrangements in accepting, validating, publicising and determining planning applications.
	1	N/A	Communities	Health and Safety Follow-up			Planned		Assess the effectiveness of the new framework for managing health and safety risks across the Council.
	1	N/A	Communities	High Street Heritage Action Zone			Planned		Review the systems for processing applications and monitoring grant expenditure. Review the application process, to assess compliance with the guidance, and to establish the level of monitoring undertaken once the grant has been awarded.
	2	N/A	Communities	CIL and Section 106 Agreements			Planned		Assess the setting up of agreements, following on from the monitoring audit of S106/CIL.
	2	N/A	Culture	Blackfriars Turnover Certificate			Planned		Assess whether turnover values stated to English Heritage are in accordance with and supported by documents and records held by the Council.

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
20	2	N/A	Place	First Homes	Assurance	Medium	Planned		Discussions ongoing with service leads. Audit timing and need dependent on legislation update.
24	2	N/A	Climate	Climate and Carbon Reduction	Assurance	High	Planned		Audit scope to focus on governance arrangements.
25	2	N/A	Communities	Homeless Pathway	Assurance	Medium	Planned		Review the effectiveness of the systems for processing applications and monitoring homelessness cases
26	2	N/A	Council Wide	Contract Management	Assurance	High	Planned		Procurement review to be prioritised. Contract management risk assessment and review need to be updated.
28	2	N/A	Place	City Growth Strategies	Consultancy	Consultancy	Planned		ARA to engage with management to confirm updated risk position and consultancy need.
	2	N/A	Culture	Cultural Recovery Fund	Assurance	Medium	Planned		
	2	N/A	Culture	Culture Grants (Guildhall and Museum)	Assurance	Medium	Planned		
	3	N/A	Policy and Resources	Creditors	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	3	N/A	Policy and Resources	Debtors	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	3	N/A	Policy and Resources	Payroll	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	3	N/A	Policy and Resources	Main Accounting Systems, Budgetary Control and Bank Reconciliations	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	3	N/A	Policy and Resources	Fixed Assets & Capital Accounting	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	3	N/A	Policy and Resources	Housing Benefits & Council Tax Reduction	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	3	N/A	Policy and Resources	National Non Domestic Rates (NNDR)	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
	4	N/A	Policy and Resources	Treasury Management	Assurance		Planned		Following the cyber incident in 2021-22, assess veracity of internal control in this area.
29	4	N/A	Policy and Resources	IR35 (Off Payroll Working)	Assurance	Medium	Planned		To review the systems, policies and procedures in place to ensure that new and existing off-payroll workers are identified, assessed and paid in accordance with IR35 requirements.
32	4	N/A	Communities	Home Improvement Agency	Consultancy	Consultancy	Planned		Consultancy on the option of the Council to establish a Home Improvement Agency for the delivery of Disabled Facilities Grants

Ref	Plan Quarter	Actual Quarter	Dept.	Audit	Comment	Risk	Status Now	Status Last Quarter	Comments
33	4	N/A	Council Wide	Leavers Processes (Off-Boarding)	Assurance	Medium	Planned		This review to assess the effectiveness of arrangements for managing the process for when employees leave the Council.
34	4	N/A	Council Wide	Employee Wellbeing and Retention	Consultancy	Consultancy	Planned		Consultancy on employee wellbeing themes: Employee training and retention schemes; A review of the Mental Health & Wellbeing Policy against best practice and industry leaders; and A review of the Agile Working Policy
35	4	N/A	Policy and Resources	Asset Management Strategy	Assurance	High	Planned		Three main lines of consideration: (i) Do the Strategy, policies and guidance, including roles and responsibilities, provide for effective management of assets. (ii) Are processes, systems and tools to manage assets effective and efficient to ensure complete and timely recording, capitalization, depreciation and tagging of assets, tracking of internal and external asset movements and periodic verification and reconciliation of assets. (iii) Are assets adequately safeguarded and utilized as intended
36	4	N/A	Policy and Resources	Sickness and Absence	Assurance	Medium	Planned		Review of Sickness and Absence policy and procedures
Work Planned for Throughout 2023-24									
37			Council Wide	Counter Fraud	Assurance		Ongoing		To be completed across 2023-24.
38			Counter Fraud	ICT Audits	Assurance	High	Ongoing		Counter Fraud activity progresses throughout the year and is reported at each Committee.
				Risk Management Support	Assurance		Ongoing		Advise on the improvements to risk management including but not limited to the Strategic Risk Register, Risk Management Strategy, Risk Appetite and assurance mapping to identify the key sources of assurance.

Key

	The audit has started or will start on time.
	The audit commencement has been or is likely to be delayed.
	The audit is not likely to be undertaken in this financial year.

TBC	To be confirmed.
N/A	Not applicable.

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Meeting:	Cabinet Audit and Governance Committee	Date:	14 June 2023 17 July 2023
Subject:	Treasury Management Update – Annual Report 2022/23		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Greg Maw, Head of Finance and Resources		
	Email: greg.maw@gloucester.gov.uk		Tel: 396422
Appendices:	1. Prudential and Treasury Indicators 2. Interest Rate Forecasts		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report covers the six months 1st Oct 2022 to 31st March 2023 and therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2 This report will highlight issues specific to the Council and also highlight interest rate forecasts as provided by the Council’s treasury advisors Link Asset Services.
- 1.3 The body of the report provides an overview of the Councils performance for the financial year 2022/23;
 - **Appendix 1** highlights the key performance indicators in line with the Councils Treasury Management Strategy.
 - **Appendix 2** Interest Rate Forecast.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked, subject to any recommendations it wishes to make to Cabinet, to note the contents of the report.
- 2.2 Cabinet is asked to **RESOLVE** that the contents of the report be noted.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 24th March 2022. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

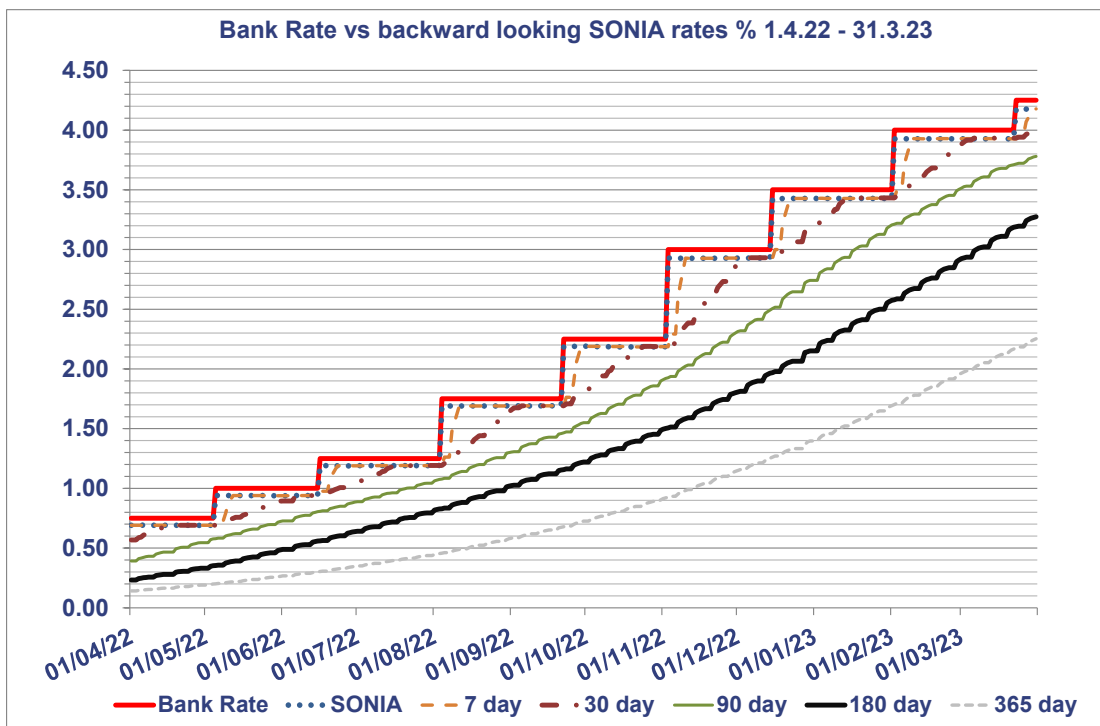
- 3.1 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.
- 3.2 The average level of funds available for investment purposes during the year to was £22.4m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.
- 3.3 The Council holds £11.3m core cash balances for investment purposes (i.e. funds available for more than one year), the majority of these funds are held with the CCLA and have delivered £332k in dividends for the year.

Investment performance for the financial year to date as at 31st March 2023

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	2.20%	2.11%	£473,992
1 month	2.09%	N/A	N/A
3 month	1.81%	N/A	N/A
6 month	1.42%	N/A	N/A
12 month	0.90%	N/A	N/A

As illustrated, the Council underperformed the benchmark by 0.09 bps on 7 day investment returns.

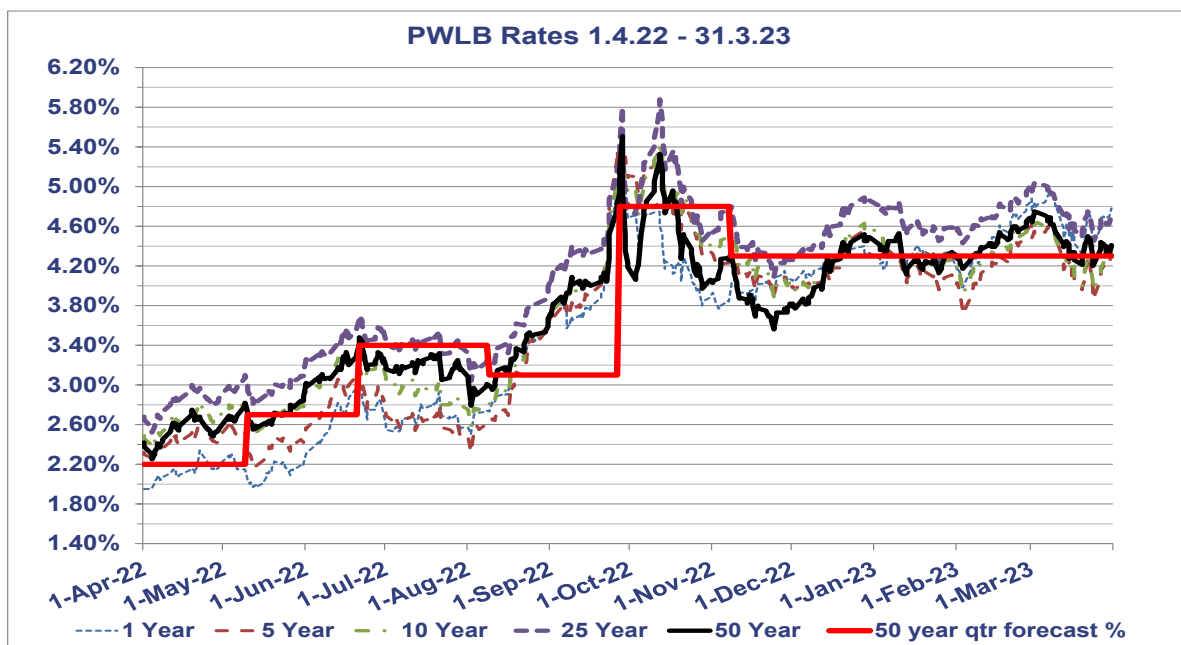
Interest Rate Profile - year ended 31 March 2023



FINANCIAL YEAR TO QUARTER ENDED 31/03/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	4.25	4.18	4.18	4.00	3.78	3.27	2.25
High Date	23/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023
Low	0.75	0.69	0.69	0.57	0.39	0.23	0.14
Low Date	01/04/2022	28/04/2022	29/04/2022	01/04/2022	01/04/2022	01/04/2022	01/04/2022
Average	2.30	2.24	2.20	2.09	1.81	1.42	0.90
Spread	3.50	3.49	3.49	3.43	3.39	3.04	2.11

4.0 New Borrowing

- 4.1 No long term borrowing was undertaken during the period ended 31st March 2023.
- 4.2 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

5.0 Debt Rescheduling

- 5.1 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

6.0 Compliance with Treasury and Prudential Limits

- 6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 6.2 During the financial year the Council has operated within the treasury limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

7.0 Other

- 7.1 The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.
- 7.2 The Council will continue to monitor its approach to short term borrowing in accordance with our treasury advisor forecasts and future Council events which impact on the Council borrowing requirement.

8.0 Social Value Considerations

- 8.1 This report notes the treasury management performance of the Council. There are no anticipated Social Value considerations from this report as it is reporting performance and not making investment decisions.

9.0 Environmental Implications

- 9.1 This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report.

10.0 Financial Implications

- 10.1 Contained in the report

(Financial Services have been consulted in the preparation of this report.)

11.0 Legal Implications

- 11.1 The legal implications are detailed in the body of the report

(Legal Services have been consulted in the preparation of this report.)

12.0 Risk & Opportunity Management Implications

12.1 There are no specific risks or opportunities as a result of this report

13.0 People Impact Assessment (PIA):

13.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

14.0 Other Corporate Implications

Community Safety

14.1 None

Sustainability

14.2 None

Staffing & Trade Union

14.3 None

Prudential and Treasury Indicators as at 31st March 2023

Prudential Indicators 2019/20	2022/23 Budget £m	31.3.23 Actual £m
Authorised limit for external debt	£265	£265
Operational Boundary for external debt	£245	£245
Gross external debt	£230	£154
Investments	N/A	£20.4
Net borrowing	£135	£133.6

Maturity structure of fixed and variable rate borrowing – upper and lower limits		
Under 12 months	0%-100%	33.78%
12 months to 2 years	0% - 100%	0.06%
2 years to 5 years	0% - 100%	0.19%
5 years to 10 years	0% - 100%	27.22%
10 years to 20 years	0% - 100%	14.17%
20 years to 30 years	0% - 100%	13.83%
30 years to 40 years	0% - 100%	10.75%
40 years to 50 years	0% - 100%	0%
Upper limit of fixed interest based on net debt	100%	95%
Upper limit of variable interest rates based on net debt	100%	5%

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INTEREST RATES FORECASTS

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

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting

food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged

early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

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Gloucester City Council
Audit and Governance Committee Work Programme 2023-24
Updated 30 June 2023

Item	Format	Committees	Lead Officer	Notes
17th July 2023				
1. Review of s. 106 agreements – Final Report	Written Report	Audit and Gov	Corporate Director ARA	Requested by Committee
2. Annual Risk Management Report 2022/23 and Strategic Risk Register	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work
3. Draft Annual Governance Statement 2022-23	Written Report	Audit and Gov Council	Head of ARA Shared Service	Part of the Committee's annual programme of work
4. Annual Report of the Audit and Governance Committee	Written Report	Audit and Gov Council	Head of ARA Shared Service	Part of the Committee's annual programme of work
5. Annual Report of the Head of ARA 2022/23	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work
6. Annual Audit Plan 2023/24	Written Report	Audit and Gov	Head of ARA Shared Service	Part of the Committee's annual programme of work
7. Treasury Management Annual Report 2022/23	Written Report	Audit and Gov	Head of Finance and Resources	Part of the Committee's annual programme of work

8. Audit and Governance Committee Work Programme	--	--	--	Standing item
11th September 2023				
1. Internal Audit Activity 2023/24 – Progress Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
2. Statement of Accounts 2022-23	Written Report	Audit and Gov	Head of Finance and Resources	Part of the Committee's annual programme of work
3. Treasury Management – Quarterly Update	Written Report	Audit and Gov Cabinet	Head of Finance and Resources	Part of the Committee's standing work programme
4. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
13th November 2023				
1. Internal Audit Activity Progress 2023/24	Written Report	Audit and Gov	Deloitte	Part of the Committee's annual programme of work
2. Treasury Management Performance 2023/24 Six Monthly Update	Written Report	Audit and Gov Cabinet	Head of Finance and Resources	Part of the Committee's annual programme of work
3. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
15th January 2024				

1. Internal Audit Plan 2023/24 – Monitoring Report	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
2. Treasury Management – Quarterly Update	Written Report	Audit and Gov Cabinet	Head of Finance and Resources	Part of the Committee's standing work programme
3. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item
4th March 2024				
1. Internal Audit Activity 202324 – progress report.	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
2. Draft Internal Audit Plan 2024-25	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
3. Strategic Risk Register	Written Report	Audit and Gov	Head of IA&RM Shared Service	Part of the Committee's annual programme of work
4. Audit and Governance Committee Work Programme	Timetable	-----	-----	Standing Agenda Item

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