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Lichfield, Staffordshire WS13 6YU

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Wednesday, 24 January 2024

Dear Sir/Madam

AUDIT COMMITTEE

A meeting of the Audit Committee has been arranged to take place **THURSDAY, 1ST FEBRUARY, 2024 at 6.00 PM IN THE COMMITTEE ROOM** District Council House, Lichfield to consider the following business.

Access to the Committee Room is via the Members' Entrance.

The meeting will be live streamed on the Council's YouTube channel

Yours faithfully

Kerry Dove
Chief Operating Officer

To: Members of Audit Committee

Councillors Ho (Chair), Whitehouse (Vice-Chair), Marshall, Robertson, J Smith, P Taylor, Vernon, Woodward and Sohal (External Auditor)

AGENDA

AUDIT AND MEMBER STANDARDS COMMITTEE

28 NOVEMBER 2023

PRESENT:

Councillors Ho (Chair), Whitehouse (Vice-Chair), Marshall, J Smith, P Taylor, S Taylor, Vernon

20 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Robertson.

21 DECLARATIONS OF INTEREST

No declarations of interest were received.

22 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held 27th September 2023 were taken as read and approved as a correct record.

23 AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2021/22

Avtar Sohal (External Auditors) presented the report to the committee. He confirmed testing had been completed on all outstanding areas. Mr Sohal confirmed the financial statements had been updated and he was content that the figures were free from material error. Assurances from Staffordshire Pension Fund auditors are still being sought for 2021/22 before the audit opinion can be signed off – this is expected in January 2024 though he highlighted that this is outside of his control.

It was confirmed that if they are not signed off by January and central government introduces emergency measures, then he would have to issue a disclaimed opinion that it has not been possible to provide assurances by that point. However, it was noted this would impact multiple authorities if it were to occur so would not result in any significant reputational damage to LDC.

RESOLVED: The committee reviewed and noted the contents of the report.

24 AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2022/23

Mr Sohal presented the report to the committee. He confirmed that the external auditors are in the final stages of their audit. It was noted that the same issues around assurances explained in the previous item would impact this statement too. He highlighted the valuation of land and buildings and valuation of investment property, noting LDC had identified two investment properties that had been omitted in previous years. The authority had received valuations from the Valuer that identified they were below the materiality level.

It was confirmed that this was a historic asset picked up as part of a review of the fixed asset register and was valued lower than the materiality level. It was noted that the trend of valuations had been impacted significantly by Covid-19 and more recent inflationary pressures, creating an inconsistent set of underlying assumptions. Roughly 90% of the authority's assets are valued every year.

RESOLVED: The committee reviewed and noted the contents of the report.

25 AUDITOR'S ANNUAL REPORT FOR LICHFIELD DISTRICT COUNCIL 2022/23

Mr Sohal presented the Auditor's Annual Report for LDC covering 2021/22 and 2022/23 to the committee. He confirmed that this was a very clean report and that the authority's financial arrangements were stronger than most others. He confirmed that Grant Thornton will certify that the audits are complete, and an opinion issued before handing over to the new auditors on a clean slate.

Members praised the officers involved for putting the council in such a strong financial position.

RESOLVED: Members reviewed and approved the contents of the report.

26 STATEMENT OF ACCOUNTS 2021/22

Anthony Thomas (Assistant Director Finance & Commissioning) presented the report to the committee. He noted that just 12% of local audit opinions have been issued across the country, highlighting this is a large-scale problem across multiple authorities with consequences for budget setting at councils. The Department for Levelling Up, Housing and Communities (DLUHC) has announced a range of options to fix the backlog but it is not clear that central government have implemented those yet. Mr Thomas confirmed the main issue relating to 2021/22 is the impact of the more recently completed 3-year pension valuation on the pension figures used in the accounts. He confirmed he was seeking approval subject to a delegation to the chair.

RESOLVED: The committee:

- Noted the External Auditor's Audit Findings Report (Agenda Item 4).
- Approved the Letter of Representation at APPENDIX A.
- Approved the Councils Statement of Accounts for 2021/22.
- Approved the delegation of authority to the Chair of Audit and Member Standards Committee to approve any changes and potentially resign the accounts once we have received assurance from Staffordshire County Council's external auditors in relation to the Staffordshire Pension Fund.

27 STATEMENT OF ACCOUNTS 2022/23

Mr Thomas presented the report to the committee. It was confirmed formal completion will occur when the auditors release their audit opinion. The pension funds valuation was again highlighted as the main impact on these accounts. The interest rate increase (and increases in gilt yields) means that the pension liability has become an asset for the first time and therefore with CIPFA issuing guidance for authorities in this position in the last week, the approach now needed to be agreed with the auditors. LDC is also currently awaiting a formal audit opinion from the pension fund auditors. Approval was again being sought for the accounts subject to any non-material changes being delegated to the committee Chair.

RESOLVED: The Committee:

- Noted the External Auditor's Audit Findings Report (Agenda Item 5).
- Approved the Letter of Representation at APPENDIX A.
- Approves the Councils Statement of Accounts for 2022/23.
- Approves the delegation of authority to the Chair of Audit and Member Standards Committee to approve any changes and potentially re-sign the accounts once we have received assurance from Staffordshire County

Council's external auditors in relation to the Staffordshire Pension Fund, and once the changes needed to reflect the national technical issue relating to the actuarial valuation of the Council's pension fund has been agreed with the External Auditors.

28 MID-YEAR TREASURY MANAGEMENT REPORT

Mr Thomas presented the Mid-Year Treasury Management report to the committee. He stated that it included Prudential Indicators however these are not intended to be benchmarked or compared to other authorities they determine if capital investment is affordable, prudent and sustainable. He highlighted capital expenditure as being £9.3 million lower than budgeted. This mainly relates to the reprofiling of the Leisure Centre, clearing the Disabled Facilities Grants backlog, the cinema and BRS enabling works. He also noted that the council has only 1 external loan at present.

Mr Thomas explained that the authority was now looking to change its strategic or pooled investment approach due to increased volatility in the financial environment. The authority is looking to reduce its exposure to financial risks before the statutory override is potentially not extended past March 2025 and also to provide cash to fund the £5m of internal borrowing for the leisure centre.

In response to member questions, Mr Thomas confirmed it was within the authority's power to provide mortgages, but this would need a much more thorough appraisal process. Mr Sohal added that not many authorities provide mortgages today and would advise LDC to think long and hard before considering any such move.

Mr Thomas confirmed that he would ideally like the authority to have a link between internal borrowing and the level of strategic or pooled investments and that internal borrowing reduces any risk on credit, is less costly and can be repaid from windfalls without penalty.

RESOLVED: The committee:

- Reviewed the report and issues raised within.
- Provided views on the recommended revised approach to Strategic Investments.
- Reviewed the Prudential Indicators contained within the report.

29 LWMTS – ANNUAL REPORT

Simon Fletcher (Chief Executive LDC / Managing Director LWMTS) presented the report to the committee. He passed on the apologies of Cllr Alex Farrell (Chair of the LWMTS Board). Mr Fletcher stated that the report was open and transparent about what had taken place during the previous year. He highlighted the profit of £13,000 made by the company during a year in which the target had been to break-even. Mr Fletcher confirmed that satisfaction and membership levels were up at the leisure centre. He also confirmed that careful budgeted may result in a small underspend.

RESOLVED: The Committee reviewed the LWTMS Annual Report 2022/23.

30 INTERNAL AUDIT PROGRESS REPORT

Andrew wood (Audit Manager) presented the report to the committee. He noted the exceptional circumstances affecting the section and confirmed that additional resources had been drawn down from BDO, allowing additional work to be fully resourced. He stated that he expected completion rates to pick up in the new year in time for the next meeting in February.

Mr Thomas added that the section was having to manage a set level of resources and balance their focus across multiple priorities.

In response to questions, Mr Thomas explained that roughly £100,000 had been set aside for climate change. If central government impose requirements on the council then the government is obligated to provide additional funding to councils to implement those proposals. However, recent government food waste requirements have seen funding being committee at “a reasonable level”.

Mr Wood confirmed that the Cross Departmental Working Group had not yet met as far as he was aware but that this would be part of follow up reviews and driven forward with support from Leadership Team (LT).

> **RESOLVED:** The committee noted Internal Audit’s Annual Report, including results for the quarter to 30 September 2023.

31 RISK MANAGEMENT UPDATE

Mr Wood presented the Risk Management Update report to the committee. He highlighted that between July 2023 and now, the councils risk profile has not changed but will continue to be reviewed on a regular basis.

> **RESOLVED:** The committee noted the risk management update and received assurances on actions taking place to manage the Council’s most significant risks.

32 COUNTER FRAUD UPDATE REPORT

Mr Wood presented the Counter Fraud Update report to the committee. The council takes part in the national fraud initiative with work progressing and the refreshing of data to be coordinated alongside this. LWMTS will be developing their own policies in due course. Following this committee meeting, all staff will be circulated copies of the appendices.

Members recommended including a section on advice for elected members alongside the advice for managers and staff.

Mr Wood confirmed LDC has a whistle-blowers policy and that this had been provided as part of the confidential reporting policy. Any whistleblowing is dealt with in a serious manner and investigated thoroughly with a requirement to protect the whistle-blower. LDC accepts both named and anonymous whistleblowing events.
Members asked if 1 incident in 5 years suggested staff did not understand the process for whistleblowing. Mr Wood confirmed that the policies are annually communicated to members of staff but annual tests to ensure these were understood could be investigated. Mr Thomas highlighted that 1 incident in 5 years could indicate that staff feel a positive workplace culture means they do not need to revert to whistleblowing.

In response to questions, Mr Wood confirmed he would review why gender was included in the relevant questions on the reporting form.

> **RESOLVED:** The committee endorsed the contents of this Counter Fraud update report.

33 WORK PROGRAMME

Will Stevenson (Principal Governance Officer) confirmed that the work programme remained mostly unchanged. He highlighted that whilst there were currently sections for two sets of external auditors, these would merge into one set of items in due course.

34 EXCLUSION OF PUBLIC AND PRESS

RESOLVED: “That as publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted, the public and press be excluded from the meeting for the following items of business, which would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

35 PRIVATE MEETING WITH EXTERNAL AUDITORS

RESOLVED: It was agreed to defer the private meeting with the external auditors to the next committee meeting.

(The Meeting closed at 7.33 pm)

CHAIR

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AZETS

Lichfield District Council

External audit plan

Year ended 31 March 2024

January 2024

Contents

Introduction

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Lichfield District Council ('the Council') for the year ended 31 March 2024 for those charged with governance.

The core elements of our work include:

- An audit of the 2023/24 Statement of Accounts for the Council; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (our Value for Money work).

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

Auditor responsibilities

As auditor we are responsible for performing an audit, in accordance with the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office and ISAs UK. Our primary responsibility is to form and express an independent opinion on the Council's financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code).

We are also required to:

- Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements;
- Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit;
- Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- Report by exception on the use of our other statutory powers and duties; and
- Certify completion of our audit.

continued…..

Introduction

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

This planning letter has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Auditor responsibilities *(….continued)*

We will issue our Audit Findings Report and an Auditors Annual Report to the Audit Committee setting out the findings from our work.
Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. These include:

- Reporting matters in the public interest;
- Making written recommendations to the Council;
- Making am application to the court for a declaration that an item of account is contrary to law;
- Issuing and advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an Audit Findings Report (prior to the approval of the financial statements), detailing our significant findings and other matters arising from the audit on the financial statements, together with an Auditor's Annual Report including our commentary on the value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

The audit does not relieve management or the Audit Committee of your responsibilities, including those in relation to the preparation of the financial statements.

Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA).

General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Audit scope and general approach

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in Appendix I.

Any identified errors greater than:

£53,000

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures.

However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

Specialised skill or knowledge required to complete the audit procedures

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of the actuarial assumptions used in the calculation of the defined benefit pension liability/asset.

We will consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of the key IT systems which support the production of the financial statement.

Audit scope and general approach

Significant changes in the financial reporting framework

There have been no significant changes in the financial reporting framework this year, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'CIPFA Code). As permitted by the CIPFA Code the council has chosen to defer the implementation of IFRS 16 'Leases' until 2024/25.

Significant changes in the Council's functions or activities

There have been no significant changes to the functions and activities of the Council or its group structure.

Management have concluded that the subsidiary LWMTS is not material to the Council and therefore will not produce consolidated accounts.

We concur with management's assessment based on forecasted information however we will confirm this on receipt of the draft financial statements.

Going concern

Management responsibility

Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements.

The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Going concern

Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Audit scope and general approach

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

Additional procedures for the NAO

The National Audit Office (the 'NAO') issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2023/24. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO have not yet confirmed which entities will be sampled components.

We will seek to comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.

Auditor reporting delays for previous periods and the impact on our audit

Although we are planning to complete your audit for the year ended 31 March 2024 in line with the timetable set out in section 5, so that we can report our initial findings to your Audit Committee in September 2024, please note that we will not be able to fully complete our audit, issue our auditor's report and certify the closure of the audit until your predecessor auditor has completed their audit for the year ended 31 March 2023. Once the 2023 audit has been completed we will need to review the predecessor auditor's audit file to gain assurance over your opening balances as at 1 April 2023, and consider the impact on our audit of any modifications to their auditor's report.

Further, once the 2023 and 2022 audit have been completed, we will revisit our planning procedures and audit plan to assess whether any additional procedures are required over and above those we have identified in this audit plan. Should additional procedures or changes to the plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.

Significant risks of material misstatement

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
Management override of controls Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. **Risk of material misstatement: Very High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.

Significant risks of material misstatement

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
Fraud in revenue recognition and expenditure (rebutted) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to: • Little incentive by management to manipulate revenue recognition; and • Limited opportunity to manipulate revenue recognition. We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below: • Little incentive by management to manipulate expenditure recognition; and • Limited opportunity to manipulate expenditure recognition. **Inherent risk of material misstatement:** • **Revenue and expenditure recognition: Low**	Whilst we have rebutted the risk of fraud in income and expenditure, we will perform the below procedures based on their value within the financial statements: • Documenting our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Valuation of other land and buildings and investment property (key accounting estimate) Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated. The council carries out a full revaluation each year. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. **Inherent risk of material misstatement:** • **Land and buildings and investment property (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management's valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Valuation of the defined pension fund net liability/asset (key accounting estimate) An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant).ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. **Inherent risk of material misstatement:** **• Defined pension fund net liability/asset (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts' and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.

Value for Money arrangements

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as "Value for Money", or "VFM").
NAO Auditor Guidance Note 03 'Auditors' Work on Value for Money Arrangements' ("AGN 03") was updated and issued on 18 January 2023 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvements.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

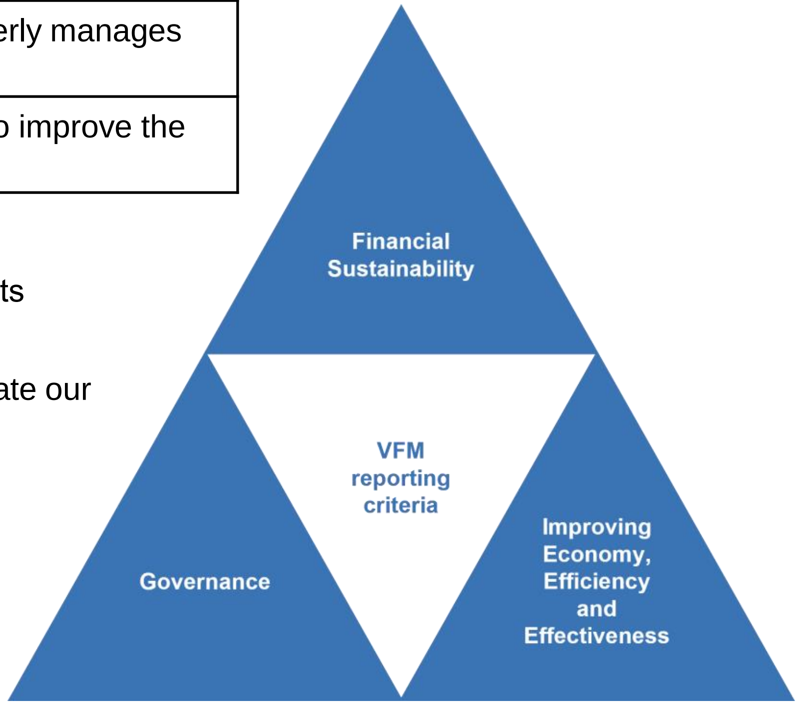
Financial sustainability	How the body plans and manages its resources to ensure it can continue to deliver its services
Governance	How the body ensures that it makes informed decisions and properly manages its risks
Improving economy, efficiency and effectiveness	How the body uses information about its costs and performance to improve the way it manages and delivers its services

As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council's arrangements to secure VFM through the economic, efficient and effective use of its resources.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements as part of our work, we are required to make recommendations setting out:

- Our judgement on the nature of the weakness identified;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



Value for Money arrangements

Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03. A significant weakness is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

We will re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

When considering the Council's arrangements, we will have regard to the three reporting criteria set out in AGN03, as well as performing additional work in the areas identified below which are the potential areas of significant weaknesses, we have identified at the planning stage.

Criteria	Outcome from VFM planning procedures
Financial sustainability	No risk of significant weakness identified during planning.
Governance	No risk of significant weakness identified during planning.
Improving economy, efficiency and effectiveness	No risk of significant weakness identified during planning.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

Audit team and logistics

Your audit team

Role	Name	Contact details
Key audit partner	Laura Hinsley	laura.hinsley@azets.co.uk
Engagement manager	Helen Parks	helen.parks@azets.co.uk
In-charge auditor	Flo Barrett	flo.barrett@azets.co.uk

Timetable

Event	Date
Planning and risk assessment	November 2023
Reporting of plan to Audit Committee	February 2024
Interim audit	February 2024
Year end audit	July – Sept 2024
Reporting of Audit Findings (ISA260)	TBC
Auditor's Annual Report (AAR)	TBC
Target date of approval of accounts	TBC
Accounts publication deadline (as specified in the Accounts and Audit Regulations 2015)	30 September 2024

Our expectations and requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council's finance team work closely together to achieve this timetable.

Please note that we will be unable to complete our 2023/24 audit until your audits for all previous financial years have been completed by your predecessor auditors and auditor's reports covering both the financial statements audit and value for money work have been issued. The National Audit Office continues to explore ways to escalate the timely completion of all outstanding local government audits.

Independence, objectivity and other services provided

Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be bought to your attention.

Other services

We have detailed in the table below any other services provided to the Council, the threats to our independence these present and the safeguards we have put in place to mitigate these threats.

Service	Provided to	Fee	Threats identified	Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2023/24)	Council	£28,000 (plus £2,000 for each additional workbook)	Self-interest	Self-interest: Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or the Council. The fee is fixed and not contingent in nature.
			Self-review	Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.
			Management	Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.

Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

Our estimated fee (excluding VAT) is as follows:

Audit fee	2023/24 £
Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA)	139,087
ISA 315*	20,863
Group accounts assessment	2,500
Potential impact of delayed 2022/23 opinion	TBC
Total audit fee for Lichfield District Council	**162,450**

This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on page 18 are met.

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

Our policy is to raise fees to account at appropriate stages of the audit such as during the audit planning, the interim visit, the final audit and once the financial statements have been signed.

The approximate total fees charged to the Council for the provision of services in 2023/24 is as follows:

Audit fee	2023/24 £
Audit of the Council (as above)	162,450
Audit related services**	28,000
Total fees	**190,450**

*The work relating to this standard is not included within the scale fee set out above and the total amount is subject to determination by PSAA.

** Subject to change based on complexity of HBAP grant certification

Appendix I: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2024 was calculated as follows:

	Council £'000	Explanation
Overall materiality for the financial statements	1,072	1.75% of gross revenue expenditure based on prior year (2022/23) draft accounts. This will be reassessed upon receipt of the draft accounts. The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	750	70% of materiality. Audit work will be performed to capture individual errors at this level.
Trivial threshold	53	5% of overall materiality for the Council. Individual errors above this threshold are communicated to those charged with governance.

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

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The Capital Strategy and Treasury Management Strategy Statement (TMSS) 2024/25

Report of the Cabinet Member for Finance and Commissioning

Date:	1 February 2024
Agenda Item:	5
Contact Officers:	Anthony Thomas
Tel Number:	01543 308012
Email:	anthony.thomas@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	Full Council

Lichfield district council

AUDIT COMMITTEE

1. Executive Summary

Introduction

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2018 Edition (the CIPFA) Code which requires the Authority to approve a treasury management strategy before the start of each financial year.

1.2 CIPFA released the latest version of the Prudential and Treasury Management Codes in December 2021, and the accompanying guidance notes were published in January 2022.

1.3 This report fulfils the Authority's legal obligation, under the Local Government Act 2003, to have regard to both the CIPFA Code and the Department of Levelling Up, Housing and Communities (DLUHC) Guidance.

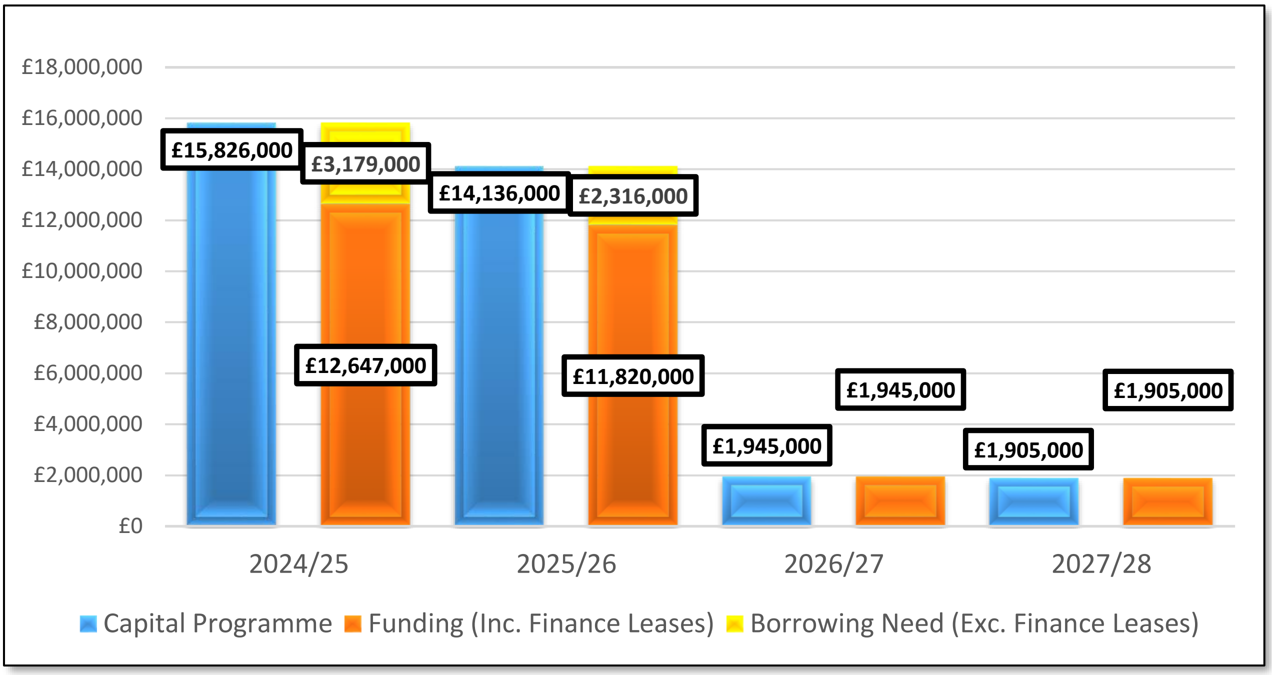
1.4 The timetable for consideration of the MTFS development is summarised below:

Date		Meeting	Topics
Budget Consultation (July to December)	04/07/2023	Cabinet	Budget timetable, Budget principles, MTFS update, Budget consultation and Budget assumptions for 2024/25
	14/09/2023	Overview and Scrutiny	To review the Draft Medium Term Financial Strategy
	10/10/2023	Cabinet	An update on the Draft Medium Term Financial Strategy
	14/11/2023	Overview and Scrutiny	To review the Draft Medium Term Financial Strategy
	05/12/2023	Cabinet	Set the Council Taxbase for 2024/25
	19/12/2023	Overview and Scrutiny	Meeting to consider Service and Financial Planning Proposals (Deferred due to Settlement Date)
	30/01/2024	Overview and Scrutiny	To review the Draft Medium Term Financial Strategy
	01/02/2024	Audit Committee	To review the Treasury Management Strategy Statement
	06/02/2024	Cabinet	To recommend the Medium Term Financial Strategy and Council Tax increase to Council
	27/02/2024	Council	Approve the Medium Term Financial Strategy and set the Council Tax

The Capital Strategy and Capital Programme

1.5 The Capital Strategy and Capital Programme form part of the Medium Term Financial Strategy (MTFS) and show the approach and budgets for longer term investment for our **Strategic Plan**.

1.6 The Capital Strategy required by the Prudential Code is outlined at **APPENDIX A** and the Capital Programme is outlined in **APPENDIX B** and below:



Treasury Management

1.7 The Treasury Management Strategy Statement incorporates the Annual Investment Strategy, and it covers the Financing and Investment Strategy for the forthcoming financial year.

1.8 The purpose of this paper is, therefore, to review:

- The Capital Strategy and Capital Programme, outlined in **APPENDICES A & B.**
- Minimum Revenue Provision Statement for 2024/25 **(APPENDIX C).**
- Treasury Management Strategy Statement for 2024/25 **(APPENDIX D).**
- Treasury Investments and their Limits where no changes are recommended for 2023/24 **(APPENDIX D)**.
- The Investment Strategy Report for 2024/25 **(APPENDIX E)** as required under Statutory Guidance in January 2018.
- The Capital and Treasury Prudential Indicators 2023-28 in the financial implications section.

1.9 All treasury activity will comply with relevant statute, guidance and accounting standards.

2. Recommendations

That Members consider the Capital Strategy and Treasury Management Strategy Statement and highlight any changes or recommendations to Cabinet in relation to:

2.1 The Capital Strategy and Capital Programme, outlined in **APPENDICES A** & **B**.

2.2 The Minimum Revenue Provision Statement for 2024/25, at **APPENDIX C**, which sets out the Council's policy of using the asset life method for making prudent provision for debt redemption.

2.3 Treasury Management Strategy Statement for 2024/25 **APPENDIX D**.

2.4 The Investment Strategy Report **(APPENDIX E)** where no changes are recommended for 2024/25.

2.5 The Capital and Treasury Prudential Indicators for 2023-28 in the financial implications section.

2.6 The Authorised Limit Prudential Indicators shown within the financial implications section.

3. Background

The Capital Strategy

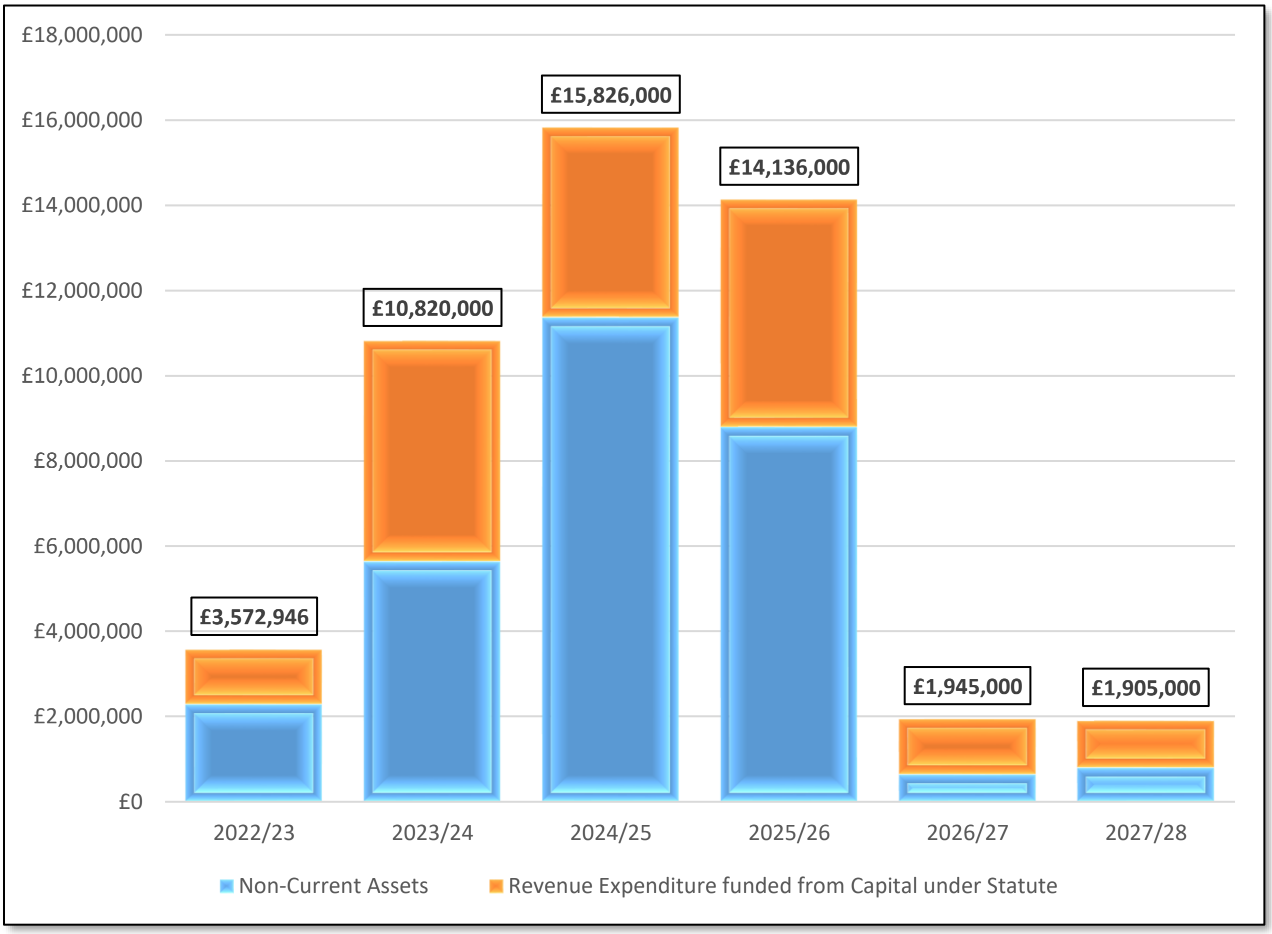
3.1 The Capital Strategy at **APPENDIX A** sets out the Council's framework for managing the Capital Programme including:

- **Capital expenditure**, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.
- **Debt and borrowing and treasury management**, including projections for the level of borrowing, capital financing requirement (Borrowing Need) and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority's approach to treasury management.
- **Commercial activities**, including due diligence processes, the authority's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.
- **Other long-term liabilities**, such as financial guarantees.
- **Knowledge and skills**, including a summary of that available to the authority and its link to the authority's risk appetite.

3.2 The Council's Chief Financial Officer has assessed the current risk for the Capital Strategy as **Tolerable (green)**.

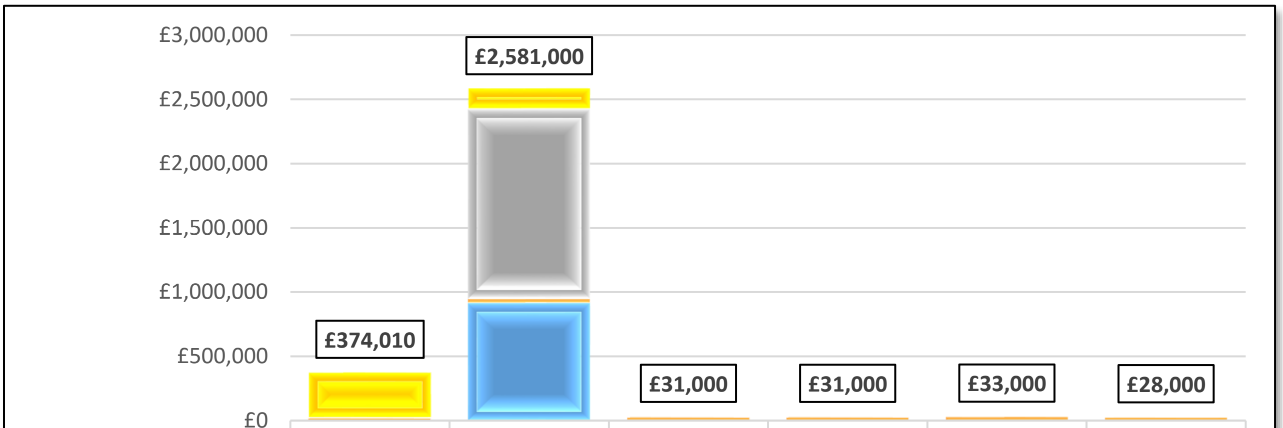
The Capital Programme

3.3 The Capital Programme (Revenue Expenditure Funded from Capital Under Statute relates to projects such as Disabled Facilities Grants) is shown in detail at **APPENDIX B** and below:



Capital Receipts

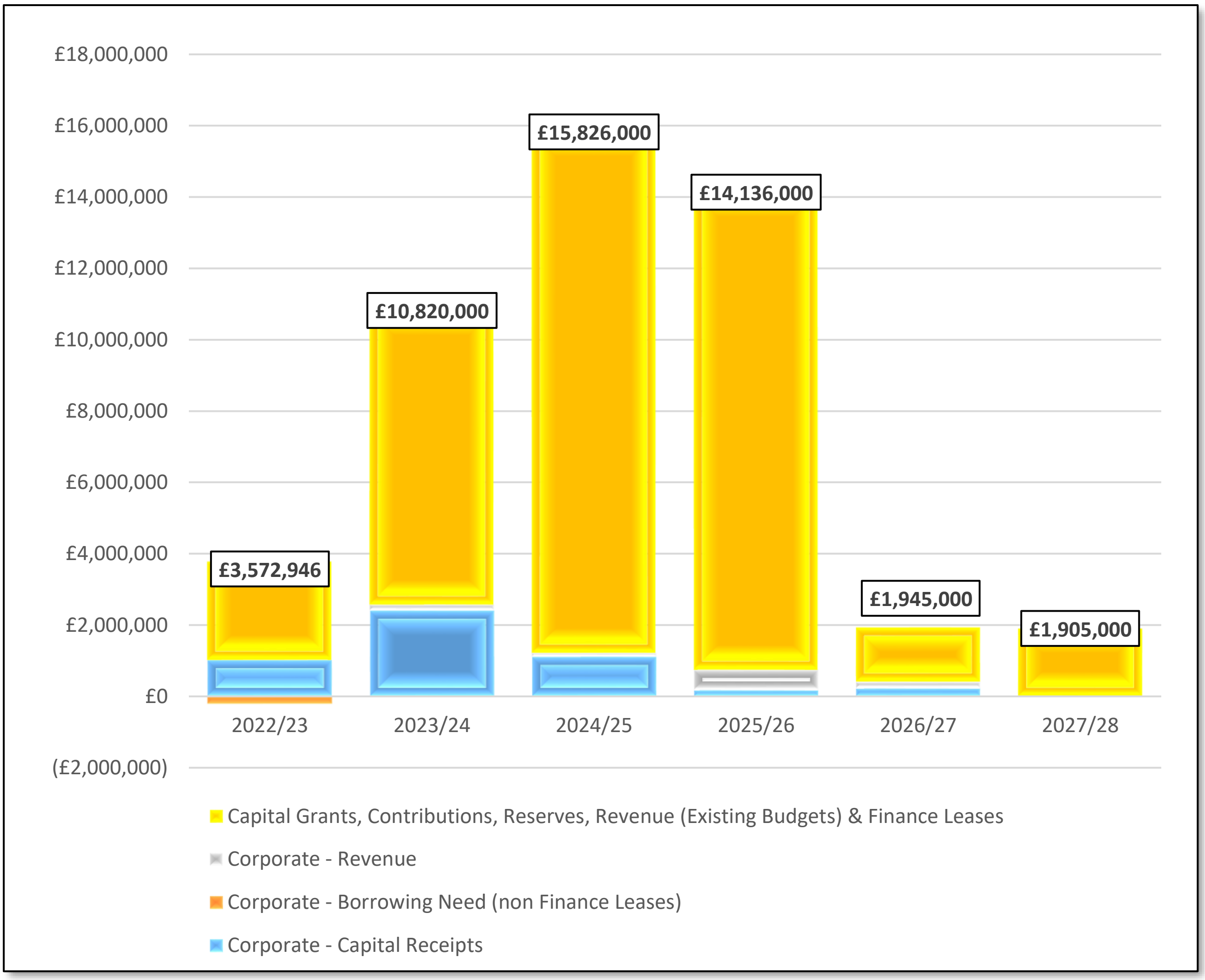
3.4 The projected Capital Receipts included in the Medium Term Financial Strategy are shown below:



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Right to Buy Receipts	£352,145	£158,000	£0	£0	£0	£0
Bakers Lane	£0	£1,478,000	£0	£0	£0	£0
Other Receipts	£21,865	£30,000	£31,000	£31,000	£33,000	£28,000
Sale of Assets	£0	£915,000	£0	£0	£0	£0
Total	£374,010	£2,581,000	£31,000	£31,000	£33,000	£28,000

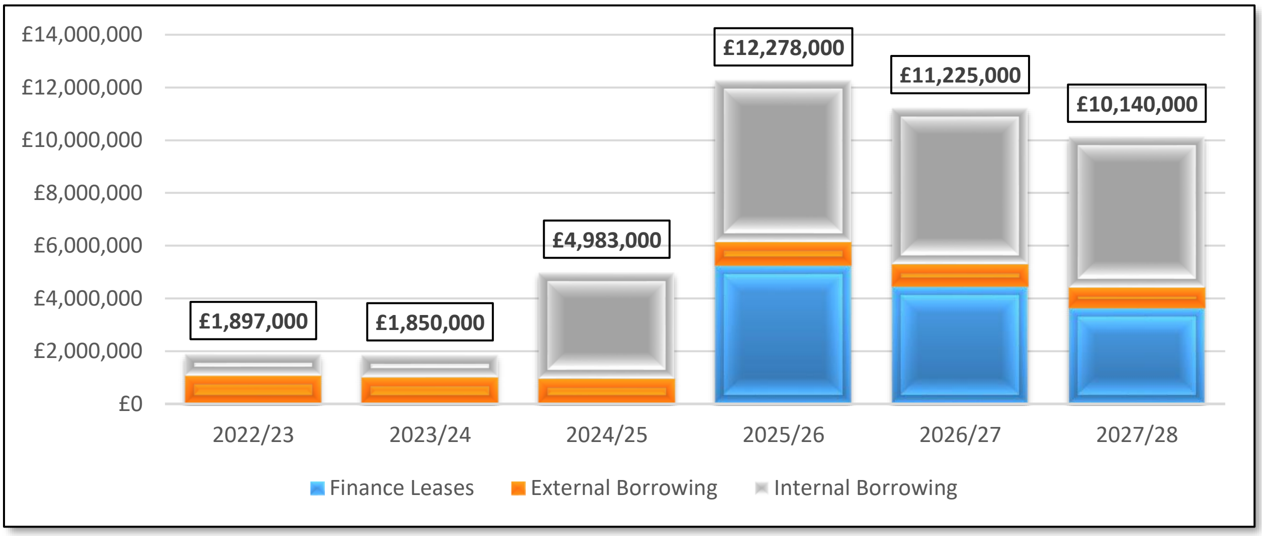
The Funding of the Capital Programme

3.5 The funding of the Capital Programme, including the element funded by the corporate sources of capital receipts, borrowing and revenue, is shown at **APPENDIX B** and below:



The Capital Financing Requirement (Borrowing Need) and its Financing

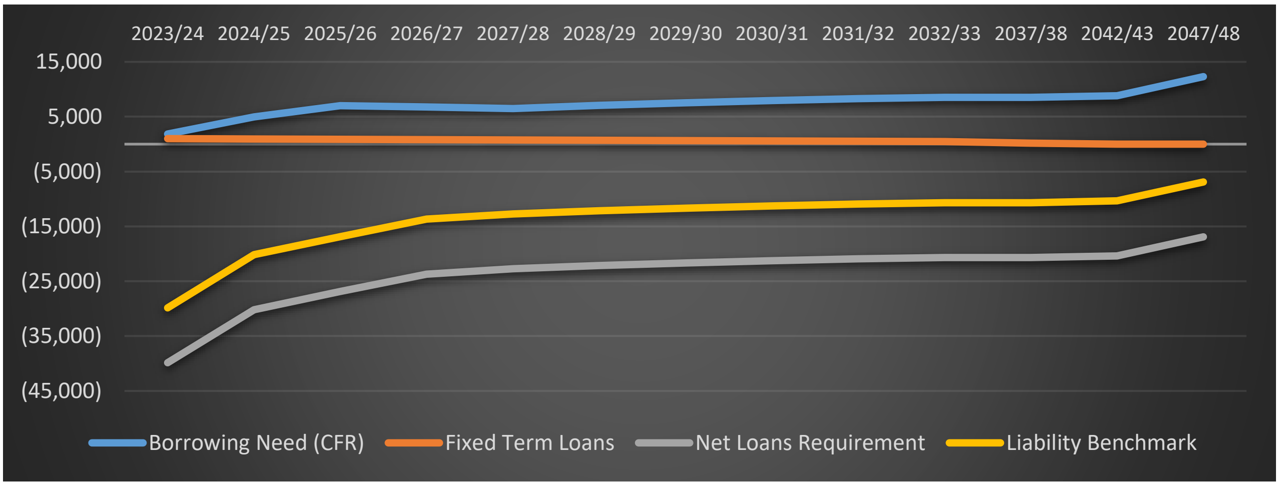
3.6 The projected Cumulative Borrowing Need related to the Capital Programme with increases from 2025/26 due to the planned new waste fleet, the planned new leisure centre and the Cinema for Lichfield District is shown in detail at **APPENDIX A** and in summary below:



3.7 The Council currently has relatively low levels of external borrowing with one Public Works Loans Board Loan totalling **£1,005,000** outstanding as of 31 March 2024.

3.8 The **liability benchmark** is the lowest risk level of external borrowing by keeping cash and investment balances to a minimum level of **£10m,** at each year end, to maintain liquidity but minimise credit risk.

3.9 The projected level of borrowing need, external borrowing, net loans requirement and the liability benchmark in the Medium Term Financial Strategy is shown at **APPENDIX A** and below:



3.10 The chart above shows:

- **The projected level of borrowing need** (the blue line) – this is capital expenditure (excluding leases) that is not funded by available resources such as capital receipts, grants, and revenue.
- **The projected level of external borrowing** (the orange line).
- The difference between the blue and orange lines is the projected level of internal borrowing.
- **The Net Loans Requirement** (the grey line) – this is the Balance Sheet projection of cash resources.
- **The Liability Benchmark** (the yellow line) – this is the Net Loans Requirement less a minimum level of investments of £10m.
- When the Liability Benchmark is projected to become positive, it would be at this point that the replacement of internal borrowing by external borrowing would need to be considered.

Current Revenue Implications of the Capital Programme

3.11 A few projects contained in the Approved Capital Programme have revenue implications such as operating costs, capital financing costs for internal borrowing, revenue funding or savings.

3.12 The MTFS currently assumes a budget neutral position for the Cinema for Lichfield District until more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework

3.13 The Draft Capital Programme revenue implications contained in the Approved Budget (at the 8 month's stage of 2023/24) and the revenue implications of additional capital spend are shown at **APPENDIX A** and in summary below:

Revenue Implications	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**
Interest on Loan to the LA Company	0	0	0	0	0
Friary Grange - Refurbishment	135	135	0	0	0
New Leisure Centre Capital Financing Costs	0	0	373	366	359
New Leisure Centre Operating Costs	0	0	235	(11)	(85)
New Leisure Centre Sinking Fund	0	0	0	50	100
Savings Reinvested	(100)	(100)	(100)	(100)	(100)
Community Infrastructure Levy 2022	(11)	(173)	(100)	(100)	(100)
New Leisure Centre & CIL Risk/Uncertainty	111	273	0	0	0
A Cinema for Lichfield District - Income	0	0	(600)	(600)	(600)
A Cinema for Lichfield District - Sinking Fund	0	0	254	254	254
A Cinema for Lichfield District - Expenditure/Uncertainty	0	0	346	346	346
Revenue Budget - Bin Replacement	150	150	150	150	0
Revenue Budget - Corporate	173	100	565	183	0
Sub Total - Approved Budget	**458**	**385**	**1,123**	**538**	**175**
Revenue Budget - Corporate	0	0	0	0	0
Revenue Budget - Earmarked Reserves	0	0	0	0	612
Revenue Budget - Bin Replacement	0	0	0	0	150
Sub Total - Service and Financial Planning	**0**	**0**	**0**	**0**	**762**
Capital Programme Total	**458**	**385**	**1,123**	**538**	**937**

Treasury Management

3.14 CIPFA has defined Treasury Management as:

> *"the management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

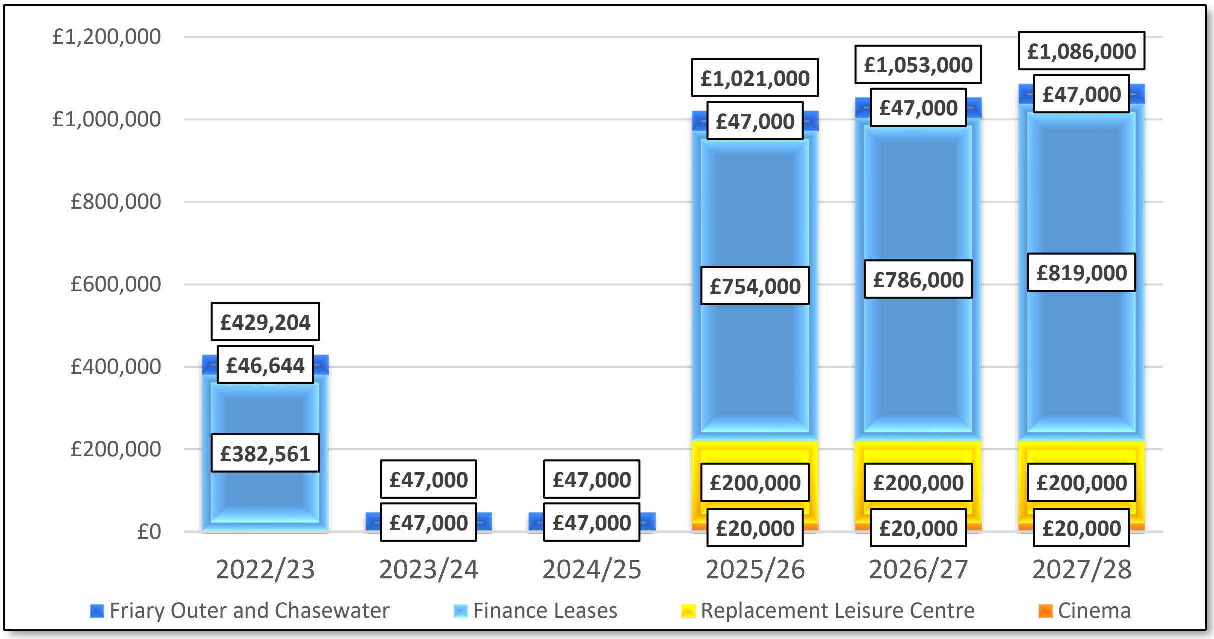
3.15 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

3.16 The Strategy also projects the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators, and the outlook for interest rates.

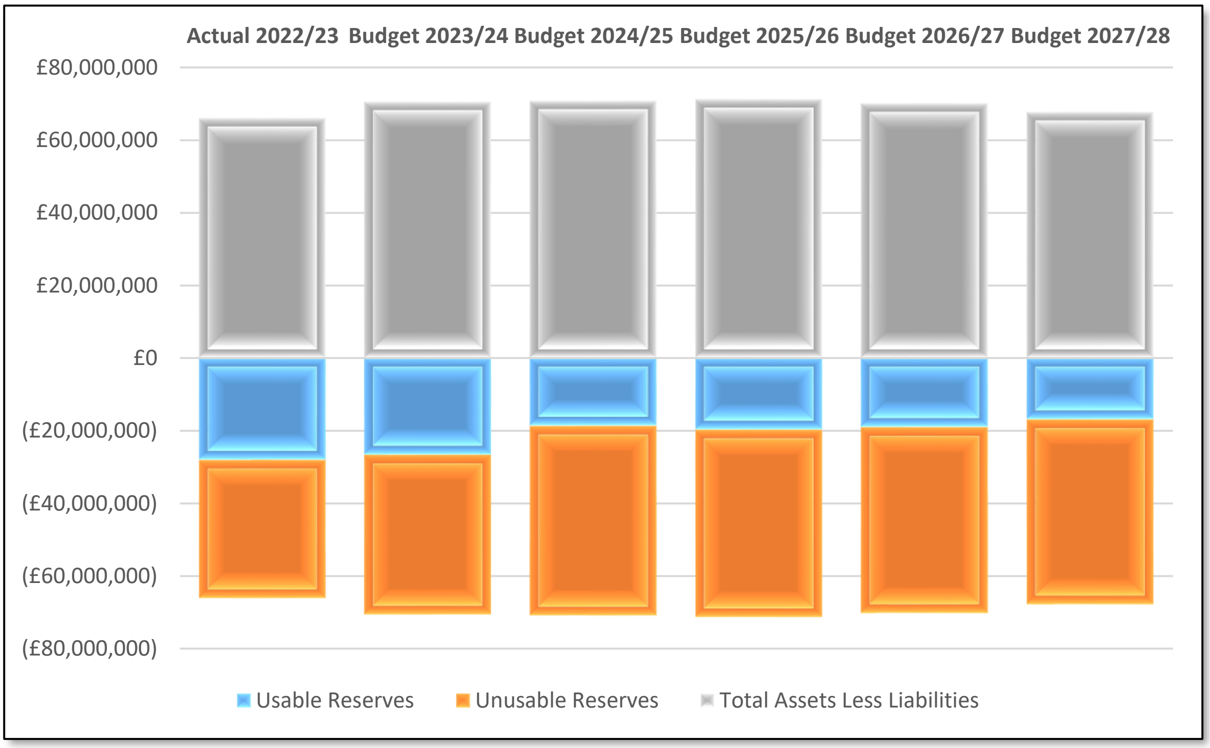
3.17 **Minimum Revenue Provision Statement 2024/25**

- The Council is required to make prudent provision for debt redemption (known as Minimum Revenue Provision (MRP)) and each year the Council must approve its MRP statement, and this will include an allowance for finance leases that appear on the Council's Balance Sheet.
- As in previous years, the Council proposes to base its MRP on the estimated life of the asset **(APPENDIX C)**. The estimated MRP chargeable during the MTFS is shown below:



3.18 **Balance Sheet Projections**

- Integrated Revenue Budgets and a Capital Programme Budgets are prepared. These budgets together with the actual Balance Sheet from the previous financial year are used to prepare Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX D**) are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement, investment levels and the Investment Strategy.
- A summary of the budgeted Balance Sheet is:



Non-Current Assets and Long Term Debtors:

- Non-Current Assets will increase mainly due to the replacement waste fleet and the capital provision for a replacement Leisure Centre.
- Long Term Debtors will increase to reflect the loan to the Cinema for Lichfield District.

Borrowing and Leasing:

- The capital investment in Non-Current Assets related to the replacement waste fleet is assumed to be financed through an increase in external debt (leases).

Investments and Working Capital:

- The levels are projected to reduce due to the financing of the Capital Programme from earmarked reserves, grants and contributions and Internal Borrowing. In addition, the potential use of general reserves throughout the MTFS to ensure a balanced budget would also reduce investments.

Pension Fund Obligation:

- This value is projected to increase in line with previous trends.

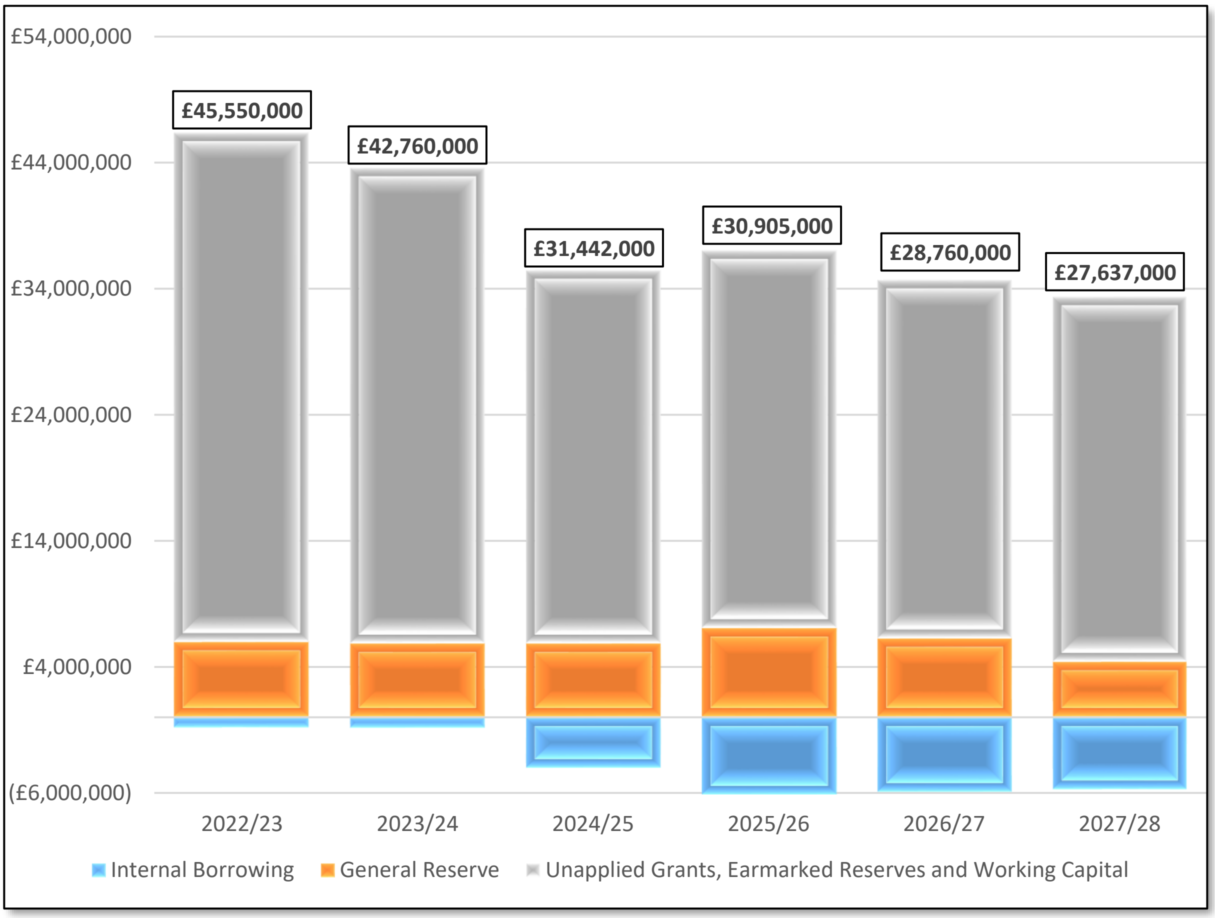
Unusable Reserves:

- **Pensions Reserve** – the negative value of this statutory reserve will increase to offset projected increases in the long-term liability for pensions.
- **Collection Fund** – any surplus or deficit on Council Tax and Business Rate collection will be transferred to or from the revenue budget in line with regulatory requirements.

Usable Reserves:

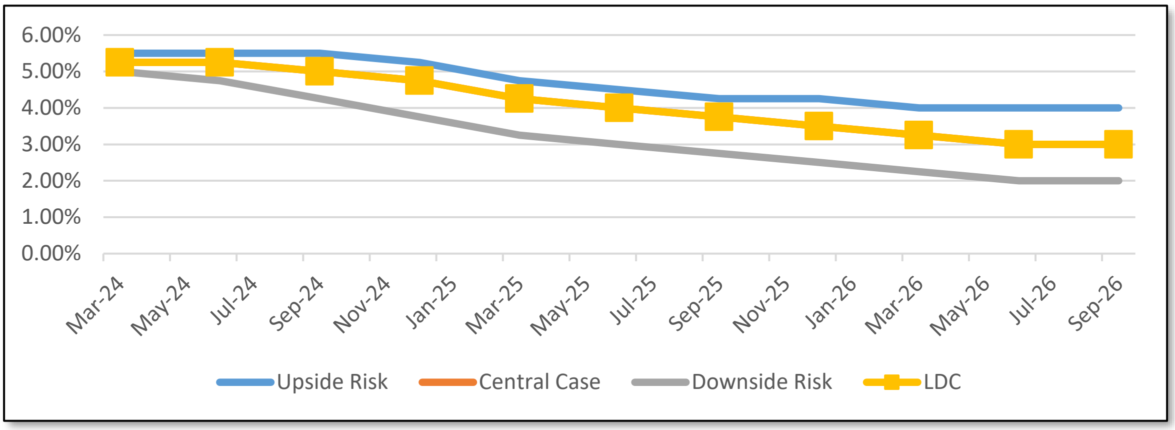
- **Earmarked Reserves** – these will reduce as they are used to fund both revenue expenditure and the Capital Programme.
- **General Reserve** – there will be a projected reduction to reflect the potential use of general reserves throughout the MTFS to ensure a balanced budget.

- The Balance Sheet Projections **(APPENDIX D)** also show the projected year end investment levels and the sources of cash:



3.19 **Treasury Management Advice and the Expected Movement in Interest Rates**

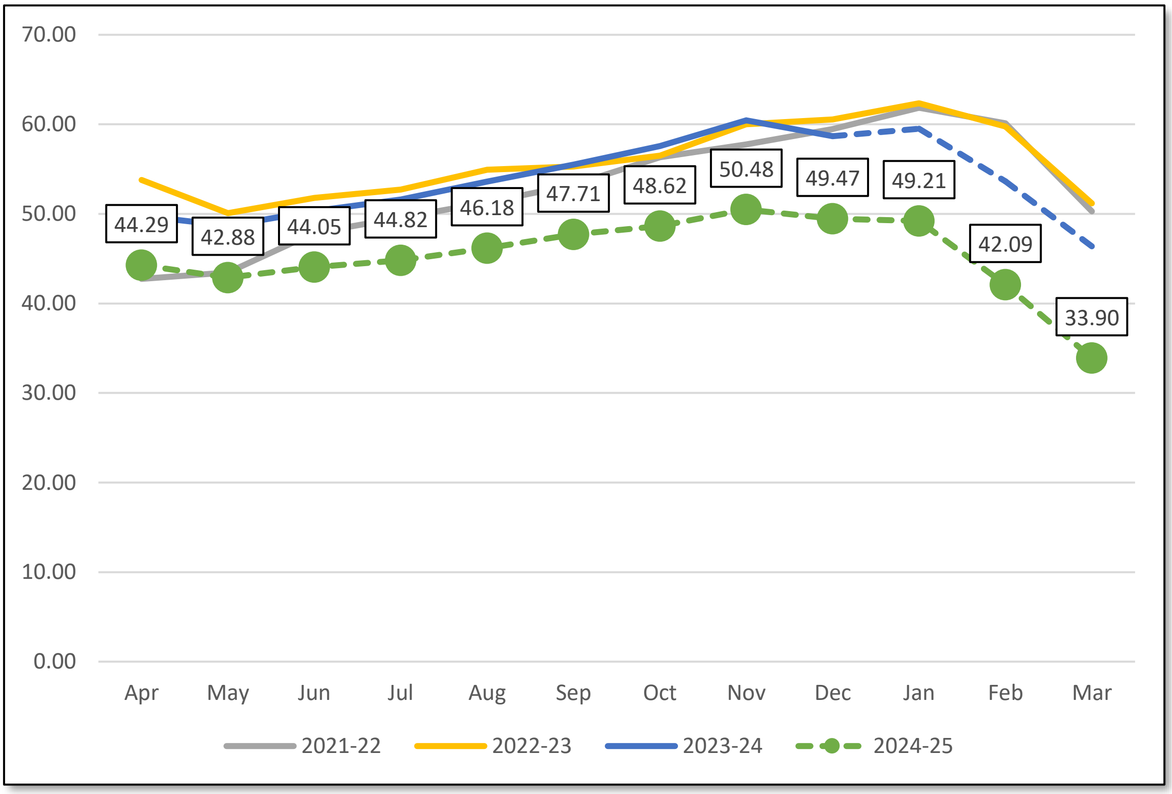
- The Official Bank Rate outlook provided by the Council's Treasury Advisor, together with the Council's assumption (also the central case) where interest rates will decrease from September 2024 is shown below:



- The Council assumptions have been used as the basis for preparation of the investment income including income foregone from internal borrowing for 2024/25 and future years.

3.20 **Cash Flow Forecast**

- Treasury Management includes the management of the Council's cash flows as a key responsibility. The cash flow forecast takes account of the income the Council receives including Housing Benefits Grant, Council Tax and Business Rate income and expenditure such as payments to precepting bodies, employee costs and Housing Benefit Payments.
- The graph below shows average investment levels (in £m) throughout the financial year with a significant reduction in February and March due to minimal Council Tax income being received.



- The planned monthly cash flow forecast for the 2024/25 financial year has been used to calculate the investment income budget. The key components of this calculation are the average level of investment balances and the rate or yield achieved.

- The Treasury Management estimates for 2024/25 for both investment income and borrowing are shown in the table below:

Treasury Management	2024/25 Original Budget Investment Income	2024/25 Original Budget Borrowing
Average Balance	£45.31m	£0.96m
Average Rate[1]	4.73%	2.59%
Gross Investment Income	(£2,120,000)	
Property Fund Transfer to Reserves	£22,000	
DIF Transfer to Reserves	£105,000	
Corporate Revenue funding Capital		£100,000
External Interest		£26,000
Internal Interest		£1,000
Minimum Revenue Provision (Exc. Finance Leases)		£47,000
Net Treasury Position	**(£1,993,000)**	**£174,000**
	(£1,819,000)	

- The gross investment income been estimated as **(£2,120,000)** and this equates to **14%** of The Council's total funding of **(£15,230,000)** in 2024/25**.**

3.21 **Treasury Management Strategy Statement (TMSS) and the Annual Investment Strategy**

- The Treasury Investments and their limits are shown in detail at **APPENDIX D**.

3.22 **Investment Strategy Report for 2024/25**

- The investment strategy that is shown at **APPENDIX E** meets the requirements of statutory guidance issued by the government in January 2018. It focuses on how the Authority invests its money to support local public services and earns investment income from any commercial investments.

3.23 **International Financial Reporting Standards Update**

IFRS 16 Leases

- The Council is planning to implement IFRS 16 Leases in 2024/25 in line with the mandatory provisions in 2024/25, applying the provisions as they have been adopted in the 2022/23 Accounting Code.
- This Standard will require more arrangements, where there is a right to use an asset, to be included on the Council's Balance Sheet. The level of non-current assets is likely to increase, and these will be matched by a liability to reflect the lease payments to be made. Our initial assessment is that this standard will have a relatively small impact on the Council's Balance Sheet with the most significant lease for the Joint Waste Fleet already being in line with the new Standard.

IFRS 9 Financial Instruments

- The Government announced in the Provisional Local Government Finance Settlement for 2023/24 that the IFRS 9 statutory override would be extended for a two-year period until 2024/25. This override currently means that any gain or loss on strategic fund investments is accounted for on the Balance Sheet until it is realised through a sale.
- In the event this statutory override is not renewed beyond 2024/25, any gain or loss will need to be transferred to revenue and managed through reserves until disposal. To manage the inherent volatility with these long-term investments, the Council had previously established a Strategic Investment Volatility Reserve.

[1] Budgeted average rate for the entire financial year.

- In addition, in the Mid-Year Treasury Management Review, the Committee reviewed the approach to Pooled Strategic Investments given the probability of the statutory override not being extended in an increasingly uncertain world.
- The recommendation was that the Council initially reduces its level of strategic investments from **£14m** to **£9m** to provide the cash necessary for internal borrowing for the leisure centre**.** The actual timing of divestment will be based on retaining the least volatile investments and minimising the level of actual loss chargeable against the earmarked reserve.
- In addition, was recommended that the Council, depending on the status of the statutory override, and any further internal borrowing, considers further reducing the level.

Alternative Options	There are no alternative options.

Consultation	This Committee and the Overview and Scrutiny Committee.

Financial Implications

Prudential and Local Indicators (PIs)

The Prudential and Local Indicators are shown below (rounding may result in slight differences):

Capital Strategy Indicators

Prudential Indicators

Indicators	2022/23 Actual	2023/24 Original	2023/24 Revised	2024/25 Original	2025/26 Original	2026/27 Original	2027/28 Original
Capital Investment							
Capital Expenditure (£m)	£3.573	£15.420	£10.820	£15.826	£14.136	£1.945	£1.905
Capital Financing Requirement (£m)	£1.897	£4.425	£1.850	£4.983	£12.278	£11.226	£10.140
Gross Debt and the Capital Financing Requirement							
Gross Debt	(£1.065)	(£1.005)	(£1.005)	(£0.944)	(£6.129)	(£5.282)	(£4.402)
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	No	No	No
Total Debt							
Authorised Limit (£m)	£1.509	£19.932	£19.932	£19.872	£20.461	£20.555	£20.213
Operational Boundary (£m)	£1.509	£7.505	£7.505	£7.444	£12.629	£7.322	£7.262
Proportion of Financing Costs to Net Revenue Stream (%)	4%	1%	1%	0%	8%	11%	11%

Local Indicators

Indicators	2022/23 Actual	2023/24 Original	2023/24 Revised	2024/25 Original	2025/26 Original	2026/27 Original	2027/28 Original
Replacement of Debt Finance or MRP (£m)	(£0.429)	(£0.047)	(£0.047)	(£0.047)	(£1.021)	(£1.053)	(£1.086)
Capital Receipts (£m)	(£0.022)	(£0.030)	(£2.423)	(£0.031)	(£0.031)	(£0.033)	(£0.028)
Housing Capital Receipts (£m)	(£0.352)	£0.000	(£0.158)	£0.000	£0.000	£0.000	£0.000
Liability Benchmark (£m)	£34.484	£22.437	£31.756	£20.498	£20.023	£17.938	£16.877
Treasury Management Investments (£m)	£45.550	£33.441	£42.760	£31.442	£30.905	£28.759	£27.638

Treasury Management Indicators

Prudential Indicators

	Lower Limit	Upper Limit	As at 31/03/23	As at 31/12/23
Refinancing Rate Risk Indicator	0%	100%	6%	6%
Under 12 months	0%	100%	6%	6%
12 months and within 24 months	0%	100%	17%	18%
24 months and within 5 years	0%	100%	29%	30%
5 years and within 10 years	0%	100%	43%	39%
10 years and within 20 years	0%	100%	0%	0%
20 years and within 30 years	0%	100%	0%	0%
30 years and within 40 years	0%	100%	0%	0%
40 years and within 50 years	0%	100%	0%	0%
50 years and above	0%	100%	0%	0%

Investment Income - Interest Rate Exposure		
	2024/25	**2025/26**
Revenue budget - Investment Income	(£2,119,960)	(£1,597,230)
Budget subject to Interest Rate Exposure	**(£1,615,960)**	**(£1,057,230)**
Budget with a 1% fall in interest rates	(£1,806,862)	(£1,341,015)
Budget with a 1% rise in interest rates	(£2,433,000)	(£1,853,000)

External Borrowing - Interest Rate Exposure		
	2024/25	**2025/26**
Revenue budget - External Interest	£26,000	£24,000
Budget subject to Interest Rate Exposure	**£0**	**£0**
Budget with a 1% fall in interest rates	£26,000	£24,000
Budget with a 1% rise in interest rates	£26,000	£24,000

Indicators	**2022/23 Actual**	**2023/24 Original**	**2023/24 Revised**	**2024/25 Original**	**2025/26 Original**	**2026/27 Original**	**2027/28 Original**
Principal Sums invested for periods longer than a year (£m)	£14.000	£15.000	£15.000	£15.000	£15.000	£15.000	£15.000

Local Indicators							
Indicators	**2022/23 Actual**	**2023/24 Original**	**2023/24 Revised**	**2024/25 Original**	**2025/26 Original**	**2026/27 Original**	**2027/28 Original**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance Sheet Summary and Forecast							
Borrowing Capital Financing Requirement	£1.897	£4.425	£1.850	£4.983	£7.032	£6.766	£6.499
Internal (over) Borrowing	£0.832	£3.420	£0.845	£4.038	£6.149	£5.943	£5.738
Investments (or New Borrowing)	(£45.550)	(£33.441)	(£42.760)	(£31.442)	(£30.905)	(£28.759)	(£27.638)
Liability Benchmark	(£34.485)	(£22.437)	(£31.756)	(£20.498)	(£20.023)	(£17.938)	(£16.877)

	Target
Security	
Portfolio average credit rating	A-
Liquidity	
Temporary Borrowing undertaken	£0.000
Total Cash Available within 100 days (maximum)	90%

Approved by Section 151 Officer	Yes

Legal Implications	The grant must be allocated in line with the qualifying criteria set by the Government.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of Lichfield District Council's Strategic Plan	The report directly links to overall performance and especially the delivery of Lichfield District Council's Strategic Plan.

Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.

Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.

Data assessment	The ability to deliver the outcomes set out in the Lichfield District Council Strategic Plan, and beyond, is dependent on the resources available in the MTFS. The MTFS identifies the level of resources available and spend necessary to deliver the outcomes across the entire District. However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.
Environmental Impact (including Climate Change and Biodiversity).	There are no additional Environmental Impacts although Environmental, Social and Governance (ESG) is starting to become more prevalent in the design of Investment Strategies.

GDPR/Privacy Impact Assessment	None identified in this report.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance			
A	Council Tax is not set by the Statutory Date of **11 March 2024**	Likelihood: Green Impact: Red Severity of Risk: Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax.	Likelihood: Green Impact: Red Severity of Risk: Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	Likelihood: Yellow Impact: Red Severity of Risk: Red	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood: Green Impact: Green Severity of Risk: Green
C	The review of the New Homes Bonus regime	Likelihood: Red Impact: Red Severity of Risk: Red	In the MTFS, no income is assumed beyond 2025/26.	Likelihood: Red Impact: Yellow Severity of Risk: Yellow
D	The increased Localisation of Business Rates, Business Rate Reset and the Review of Needs and Resources	Likelihood: Red Impact: Red Severity of Risk: Red	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood: Red Impact: Red Severity of Risk: Red
E	The affordability and risk associated with the Capital Strategy	Likelihood: Yellow Impact: Red Severity of Risk: Red	A property team has been recruited via the Company to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
F	Sustained higher levels of inflation in the economy	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections. Where possible, ensure income increases are maximised to mitigate any additional cost.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
G	Interest Rate Risk if Internal Borrowing is replaced by External Borrowing	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	The level of internal borrowing is a relatively low level at £5.495m and the cost is budgeted at 3.5%.	Likelihood: Yellow Impact: Green Severity of Risk: Green
	Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to the emerging landscape			
H	The Council cannot achieve its approved Delivery Plan	Likelihood: Yellow Impact: Red Severity of Risk: Red	There will need to be consideration of additional resourcing and/or reprioritisation.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
I	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood: Yellow Impact: Red Severity of Risk: Red	The MTFS will be updated through the normal review and approval process.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
J	Government and Regulatory Bodies introduce significant	Likelihood: Red Impact: Red	To review all proposed policy changes and respond to all consultations to	Likelihood: Yellow Impact: Yellow

	changes to the operating environment	Severity of Risk: Red	influence outcomes in the Council's favour.	Severity of Risk: Yellow

Background documents:

- CIPFA Code of Practice for Treasury Management in the Public Services.
- The Prudential Code for Capital Finance in Local Authorities.
- Treasury Management Statement and Prudential Indicators – Audit and Member Standards Committee 2 February 2023.
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Council 28 February 2023.
- Mid-Year Treasury Management Report – Audit and Member Standards Committee 28 November 2023.

Relevant web link:

Draft Capital Strategy

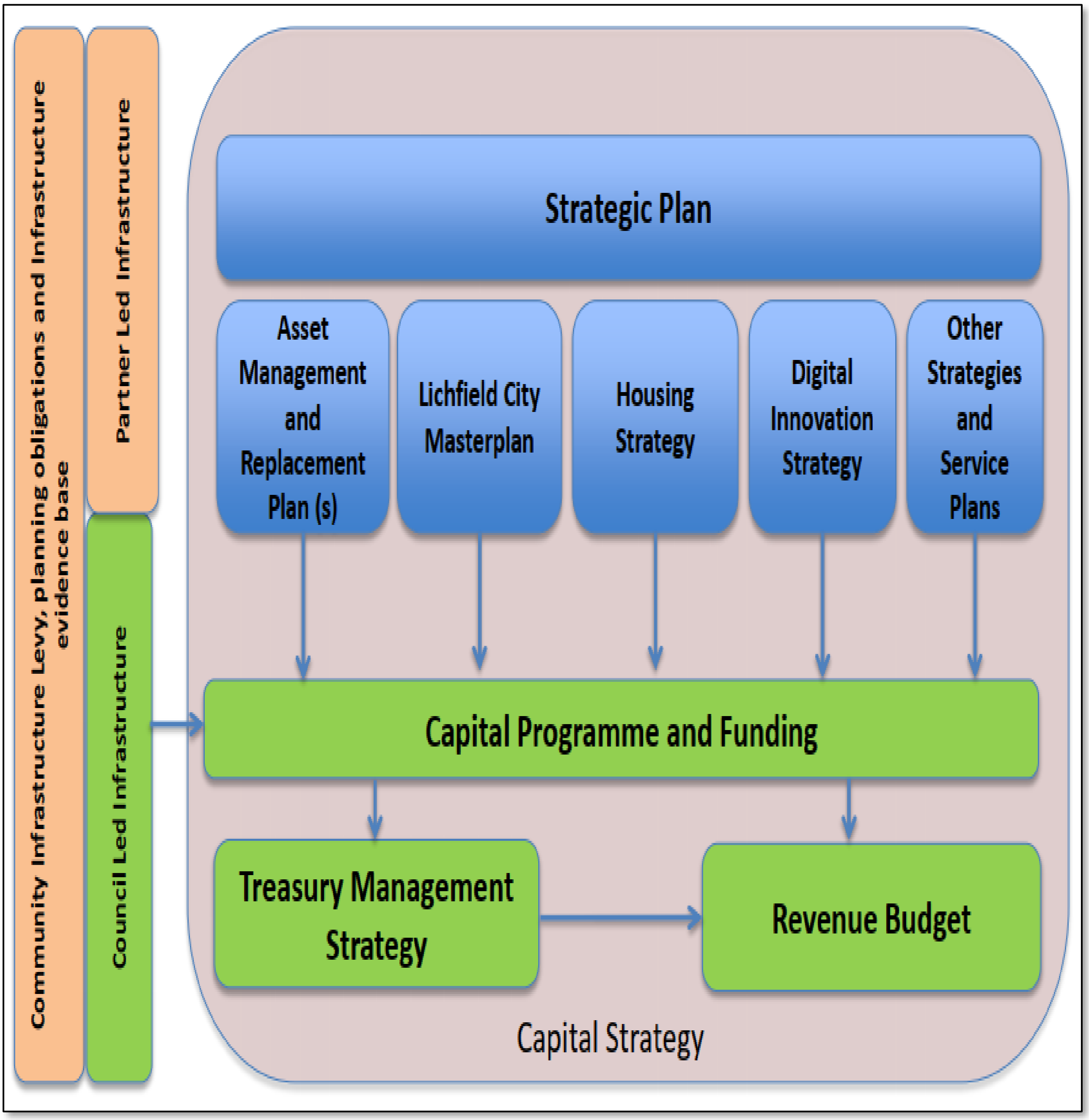
1. Introduction

1.1. The Prudential Code requires the completion of a Capital Strategy that is approved by Full Council.

1.2. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.3. It forms part of the Councils integrated revenue, capital and balance sheet planning. The Council already undertakes elements of the requirements although some areas, such as Asset Management Planning, are subject to ongoing development.

1.4. The Prudential Code now requires all this information to be brought together in a single place as shown below:



2. The Capital Programme

2.1. The financial planning process and its Governance is shown below:

The Financial Planning Timetable and Governance Responsibility

Service and Financial Planning	July	Medium Term Financial Strategy
	August	
Review Medium Term Financial Strategy	September	Money Matters as at 30 June
	October	Medium Term Financial Strategy
Review Medium Term Financial Strategy Mid Year Treasury Management Report	November	
	December	Money Matters as at 30 September Medium Term Financial Strategy Set Council Taxbase and approve Collection Fund Projections
Review Medium Term Financial Strategy	January	
Review Treasury Management and Capital Strategies Approve the Medium Term Financial Strategy and set the Council Tax	February	Money Matters as at 30 November Recommend Medium Term Financial Strategy and Council Tax to Council
	March	
	April	
Draft Statement of Accounts	May	
	June	Money Matters as at 31 March
Annual Treasury Management Report	July	
	August	
Statement of Accounts (was 31 July but for 2 years extended to 30 September)	September	

Key:
Pink = internal timelines
Blue = Cabinet
Salmon = Cabinet & Overview and Scrutiny Committee
Amber = Overview and Scrutiny Committee
Green = Audit & Member Standards Committee
Purple = Council

The Capital Programme Process

2.2. Given our current financial position, our priorities and responsibilities and as Asset Management Plans are developed, it is probable that capital needs will be identified that exceed resources available thus necessitating a more transparent and robust process to inform Members during the development of the MTFS.

2.3. The capital bid process has been incorporated into the service and financial planning process to provide a holistic approach. The capital bid element of the process has been designed to ensure consistency, objectivity, equity and transparency to the prioritisation and allocation of capital funding, while ensuring maximum value for money.

2.4. A summary of the process is identified below:

- Indicative Business-as-Usual capital investment is included in the Long Term Capital Investment Plan based on existing levels. These budgets are subject to review based on more up to date service and financial plans.
- In addition, a service can identify a budget requirement and consults with the Finance and Commissioning Team.
- Service requests funding by completing and submitting a funding bid form.
- The Finance and Commissioning Team reviews all bids and assessments and requests clarification where required.
- The Finance and Commissioning Team reviews bids using the assessment criteria and ensure the bids are included in the relevant service and financial planning submission.
- Leadership Team review all service and financial planning submissions before recommending the allocation of funding either through a Cabinet Report or through the MTFS.
- Finance and Commissioning monitor funding allocations and spend, reporting to Leadership Team as part of Money Matters Reports.
- Where the project budget or annual allocation is **£500,000 or more**, a review of performance is not already separately monitored, and the service completes the work / project outlined within the bid, the service will undertake a review (i.e., post-project review) within 6 months of work being completed, providing this to Finance and Procurement to include in a report to Leadership Team.

Planning Obligations - Section 106 and Community Infrastructure Levy (CIL)

2.5. As part of the planning process, financial contributions from planning obligations, including the Community Infrastructure Levy, are received from new developments. The vast majority is spent directly on infrastructure works or will be spent in line with the Infrastructure Delivery Plan (IDP).

2.6. In some cases, there is an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.

2.7. The Council's Capital Programme includes a number of projects that are to be funded by Section 106 and CIL; this is a significant source of funding and there is a significant level of interest from the community in relation to the allocation of sums to projects.

2.8. The **Draft Capital Programme** and its **funding** by Strategic Priority is summarised below:

Strategic Priority	Draft Capital Programme 2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000	Corporate £000
Enabling People	4,421	10,537	3,172	1,320	1,100	20,550	819
Shaping Place	386	425	6,600	210	400	8,021	240
Developing Prosperity	5,493	4,649	3,999	10	0	14,151	2,456
A Good Council	520	215	365	405	405	1,910	1,405
Capital Expenditure	**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**	**4,920**

Funding Source	Draft Capital Programme 2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Capital Receipts	2,033	1,110	174	222	0	3,539
Capital Receipts - Housing	360	0	0	0	0	360
Revenue - Corporate	173	100	565	183	0	1,021
Corporate Council Funding	**2,566**	**1,210**	**739**	**405**	**0**	**4,920**
Grant	1,695	2,884	3,762	1,300	1,100	10,741
Section 106	537	993	0	0	0	1,530
CIL	1,350	800	0	0	0	2,150
Reserves	4,509	6,610	1,169	90	655	13,033
Revenue - Existing Budgets	163	150	150	150	150	763
Leases	0	0	6,000	0	0	6,000
Internal Borrowing	0	3,179	2,316	0	0	5,495
Total	**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**
External Borrowing	0	0	0	0	0	0
Grand Total	**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**

2.9. The Revenue implications of the Draft Capital Programme are shown below:

Revenue Implications	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Interest on Loan to the LA Company	0	0	0	0	0
Friary Grange - Refurbishment	135	135	0	0	0
New Leisure Centre Capital Financing	0	0	373	366	359
New Leisure Centre Operating Costs	0	0	235	(11)	(85)
New Leisure Centre Sinking Fund	0	0	0	50	100
Savings Reinvested	(100)	(100)	(100)	(100)	(100)
Community Infrastructure Levy 2022	(11)	(173)	(100)	(100)	(100)
Leisure Centre & CIL Uncertainty	111	273	0	0	0
Cinema - Income	0	0	(600)	(600)	(600)
Cinema - Sinking Fund	0	0	254	254	254
Cinema - Expenditure/Uncertainty	0	0	346	346	346
Revenue Budget - Bin Replacement	150	150	150	150	0
Revenue Budget - Corporate	173	100	565	183	0
Sub Total - Approved Budget	**458**	**385**	**1,123**	**538**	**175**
Revenue Budget - Corporate	0	0	0	0	0
Revenue Budget - Reserves	0	0	0	0	612
Revenue Budget - Bin Replacement	0	0	0	0	150
Sub Total - Service and Financial Planning	**0**	**0**	**0**	**0**	**762**
Capital Programme Total	**458**	**385**	**1,123**	**538**	**937**

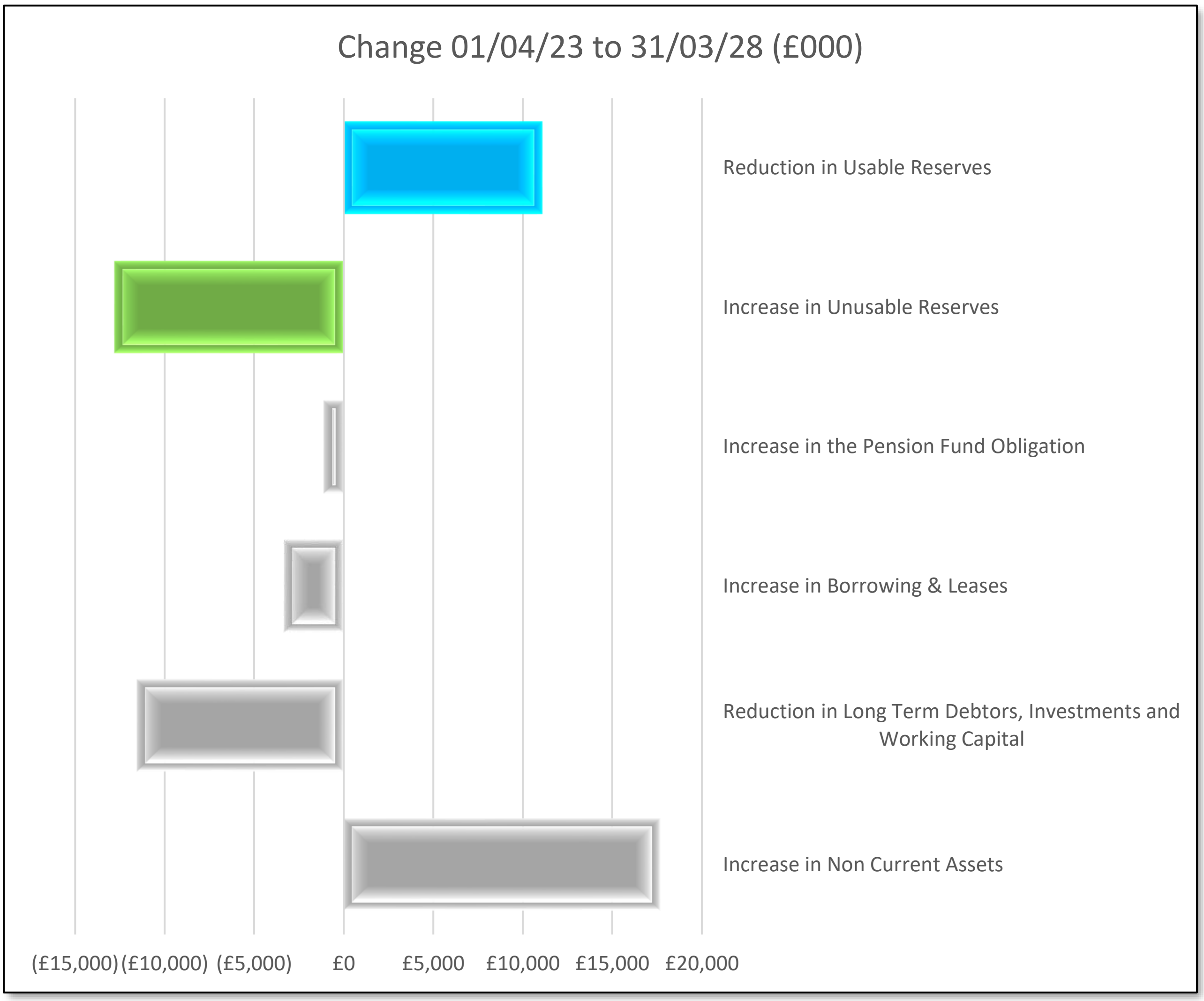
2.10. Projected Capital Receipts are shown in the table below:

General Capital Receipts	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Opening Balance	**(1,076)**	**(1,466)**	**(387)**	**(244)**	**(55)**	**(1,076)**
Sale of Venture House	(915)					(915)
Other Receipts	(30)	(31)	(31)	(33)	(28)	(153)
Bakers Lane	(1,478)					(1,478)
Utilised in Year	2,033	1,110	174	222	0	3,539
Closing Balance	**(1,466)**	**(387)**	**(244)**	**(55)**	**(83)**	**(83)**

Housing Receipts						
Opening Balance	**(1,181)**	**(979)**	**(979)**	**(979)**	**(979)**	**(1,181)**
Right to Buy Receipts	(158)					(158)
Utilised in Year	360	0	0	0	0	360
Closing Balance	**(979)**	**(979)**	**(979)**	**(979)**	**(979)**	**(979)**

3. The Balance Sheet (in £000s)

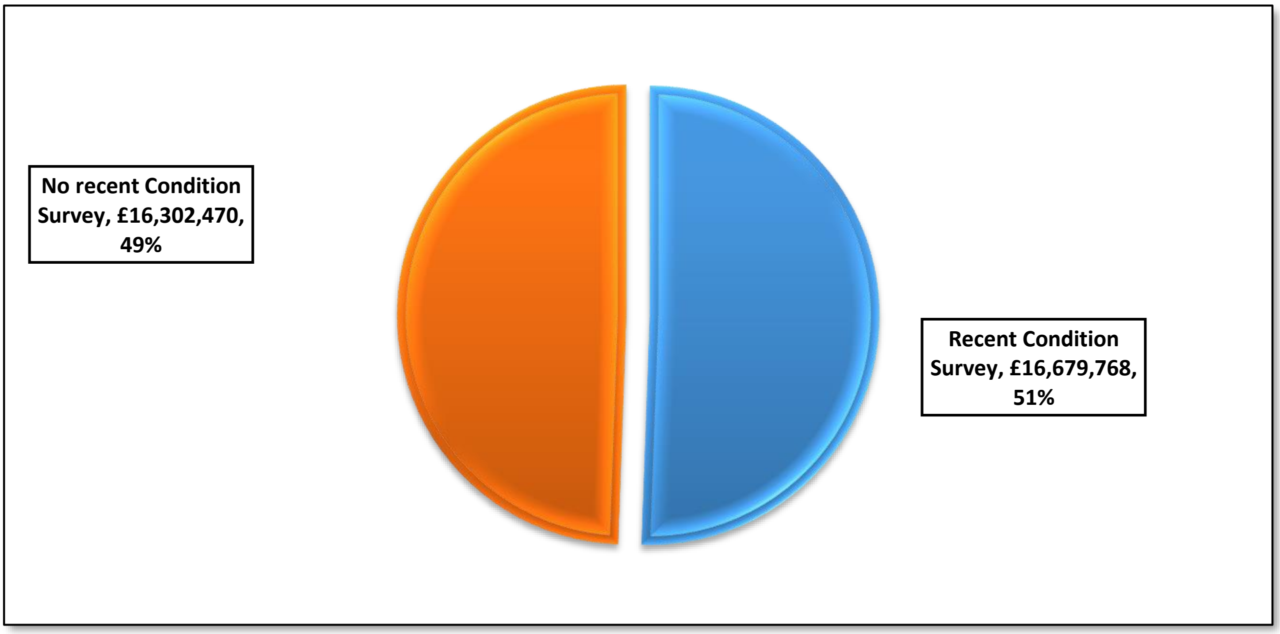
3.1. The Revenue Budget, Capital Programme and its funding will impact on the Council's Balance Sheet:



3.2. This chart illustrates the impact on the Council's Balance Sheet of capital investment in the new leisure centre, Cinema for Lichfield District, and a replacement waste fleet with funding from a lease type arrangement and internal borrowing/usable reserves leading to a reduction in investments.

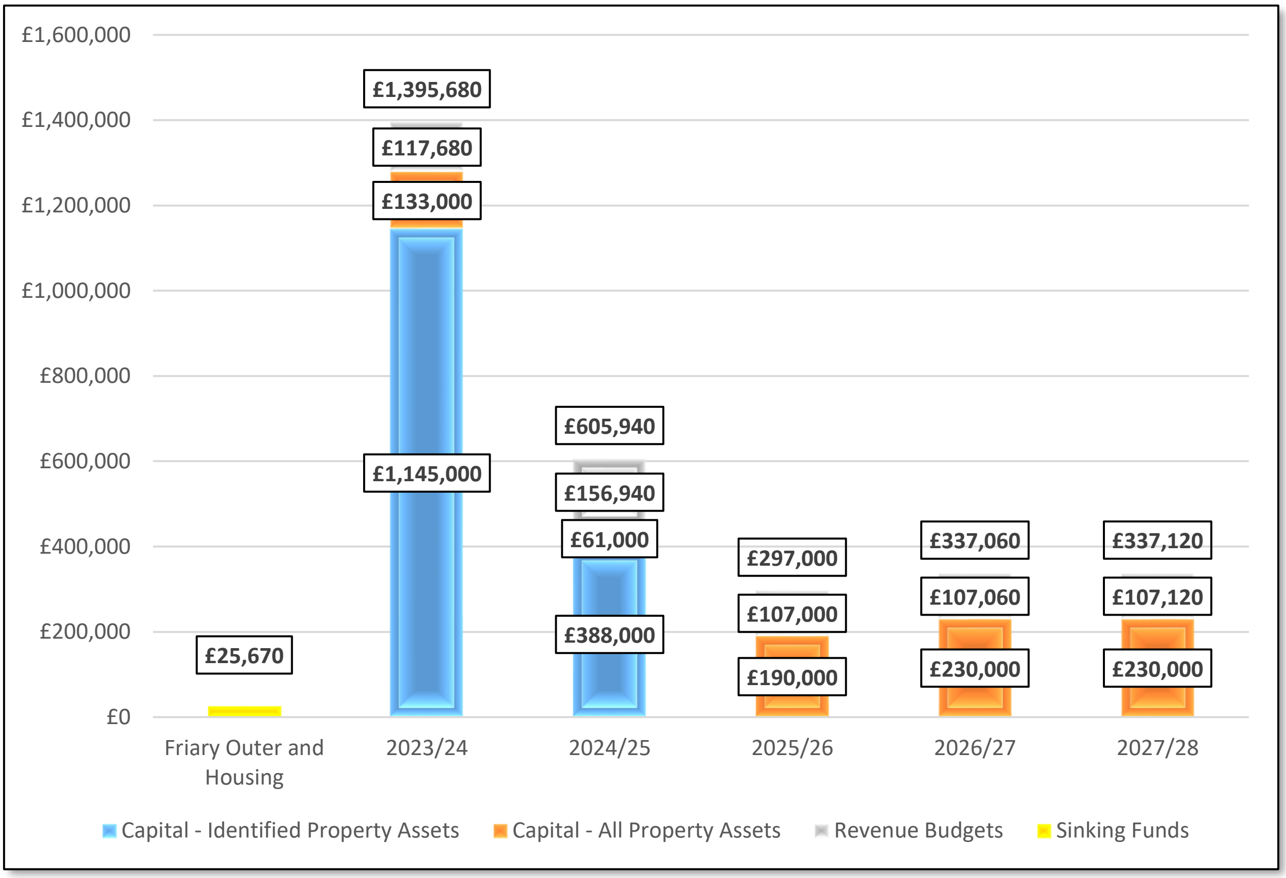
4. Asset Management Planning

4.1. The Property Team is currently in the process of undertaking Property Condition Surveys for Property Assets owned by the Council. Progress to date is shown below:

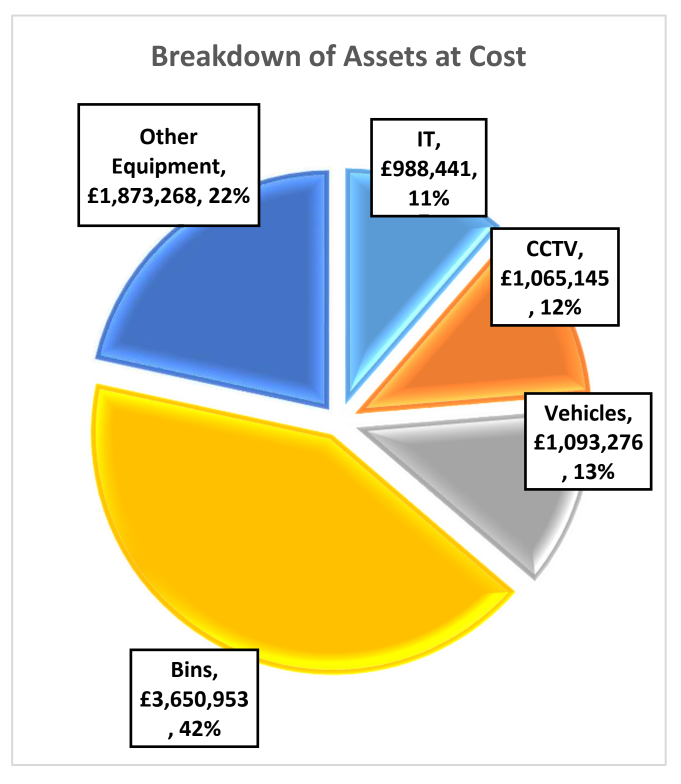


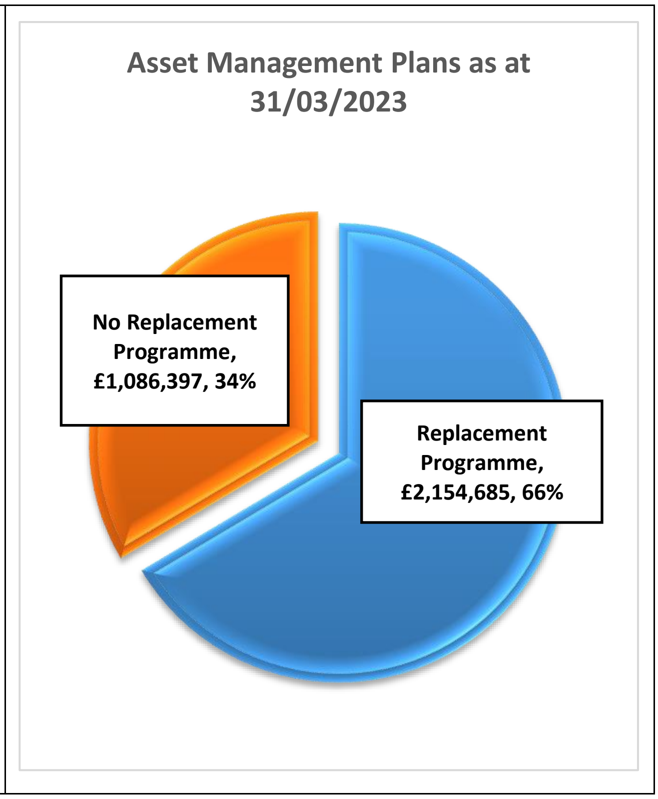
4.2. For financial planning purposes, a budget (based on a % of projected asset value) has been included in the Capital Programme and Longer Term Capital Investment Plan.

4.3. The resources identified for enhancement and maintenance of property assets are:

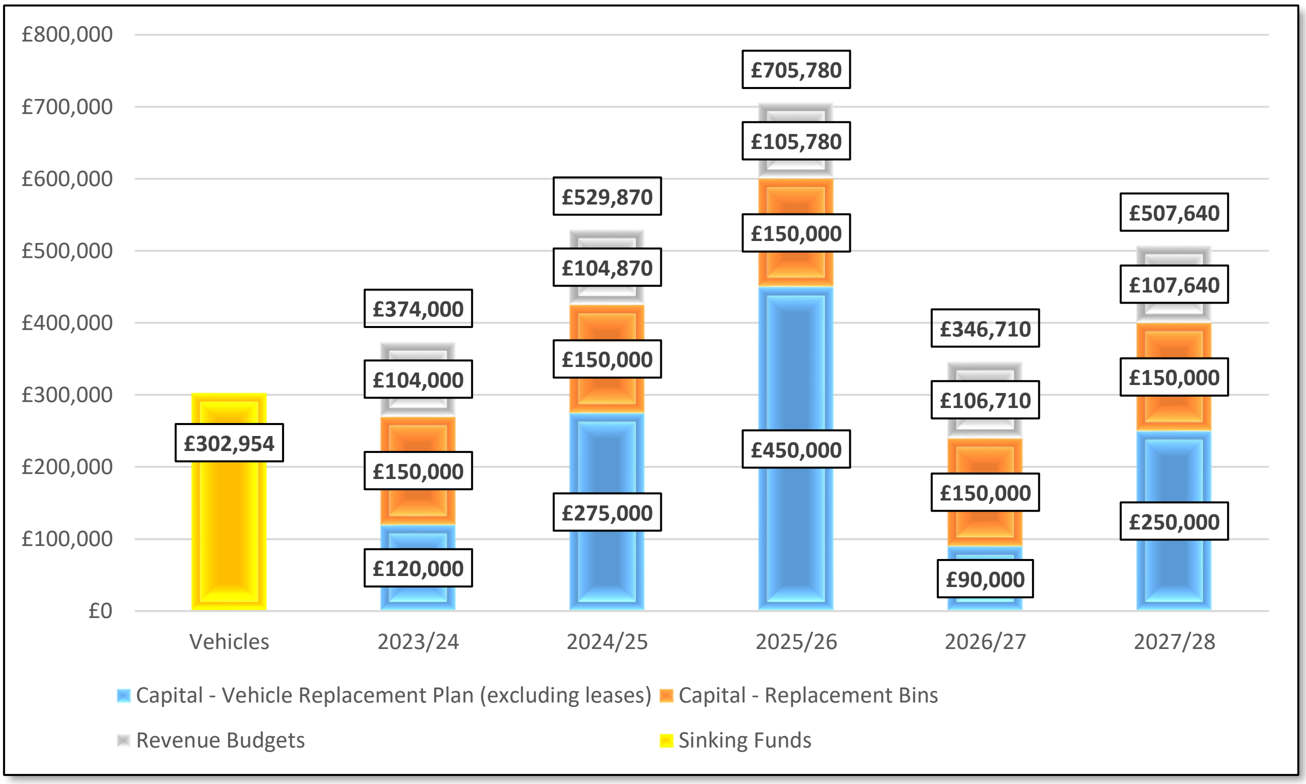


4.4. The Asset Management Plans in place for vehicles, plant and equipment assets are:





4.5. The resources identified for replacement and maintenance of vehicles, plant and equipment are:



4.6. There is also a proposed Capital Programme budget of **£6,000,000** in 2025/26 for a new fleet of waste vehicles assumed to be funded through a lease type arrangement.

5. Longer Term Capital Investment Planning

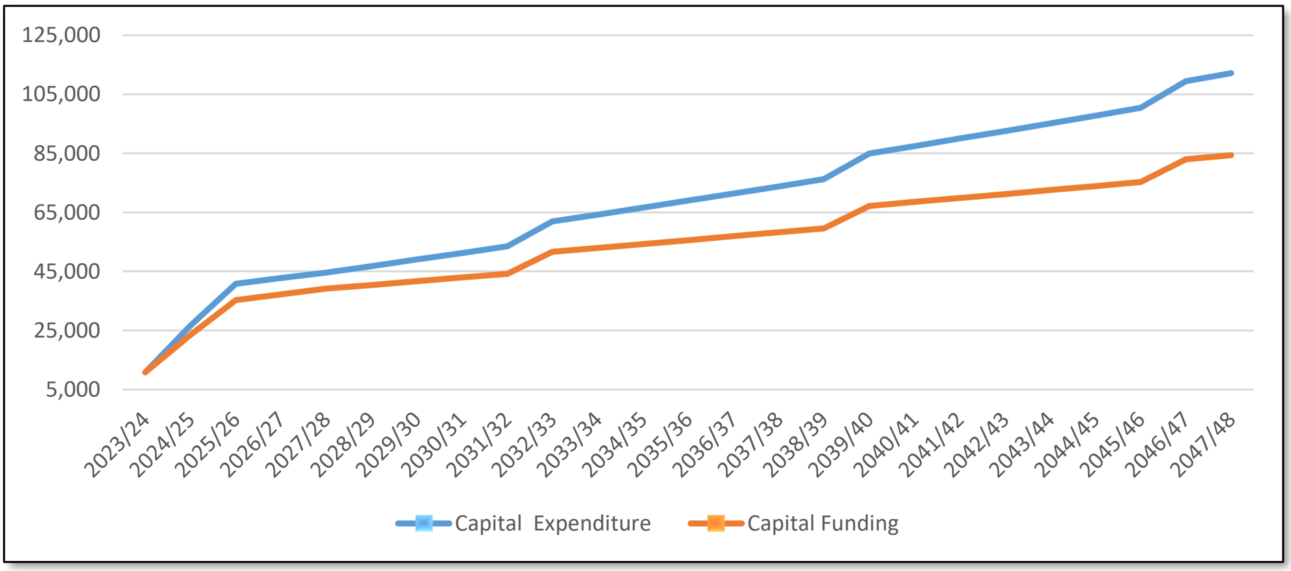
5.1. The Medium Term Financial Strategy covers a relatively short period of time (current financial year plus the next four years) and this short horizon is not reflective of the longer term investment needs associated with asset ownership.

5.2. Therefore, it is prudent to also produce financial plans that cover a longer term financial planning horizon such as 25 years.

5.3. The following key assumptions have been utilised in producing the longer term financial plan:

- Annual core inflation of **2%**.
- Population in Lichfield District increases by an annual average of **0.31%**.
- The proportion of the population aged 65 and over increases from **25%** in 2023/24 to **28%** by 2046/47.
- The value of building assets increases from **£34m** in 2022/23 to **£60m** in 2025/26 with the building of a new Leisure Centre and Cinema.
- An assessment of Property Planned Maintenance budgets at a percentage of building value or **£230,000** per annum has been utilised with annual inflationary increases.
- An assessment of ICT investment using the average level of investment in the last Capital Bid submitted of **£175,000** from 2025/26 has been utilised with annual inflationary increases.

5.4. The longer term capital investment plan in £000s is shown in detail at **ANNEX 1** and in the chart below:



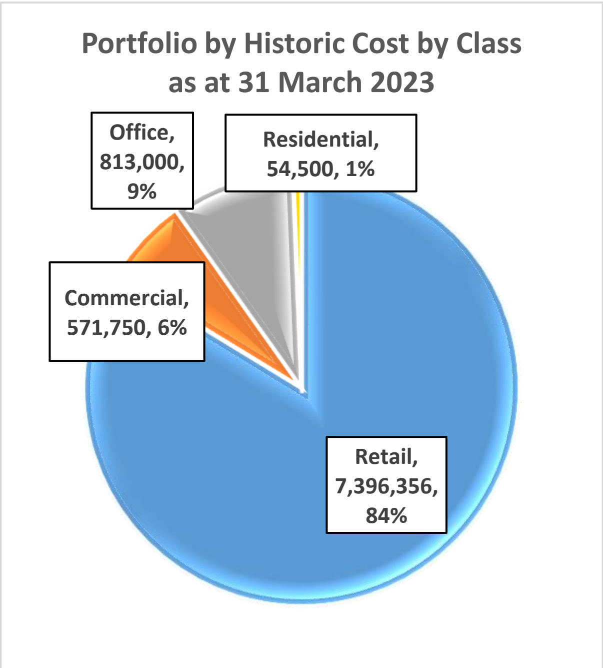
5.5. The difference between capital expenditure and funding would result in an increase in the cumulative level of borrowing need of **£28m** (including £5m approved for the new Leisure Centre and £0.5m approved for the Cinema for Lichfield District) that is projected to be **£12m** after Minimum Revenue Provision (MRP).

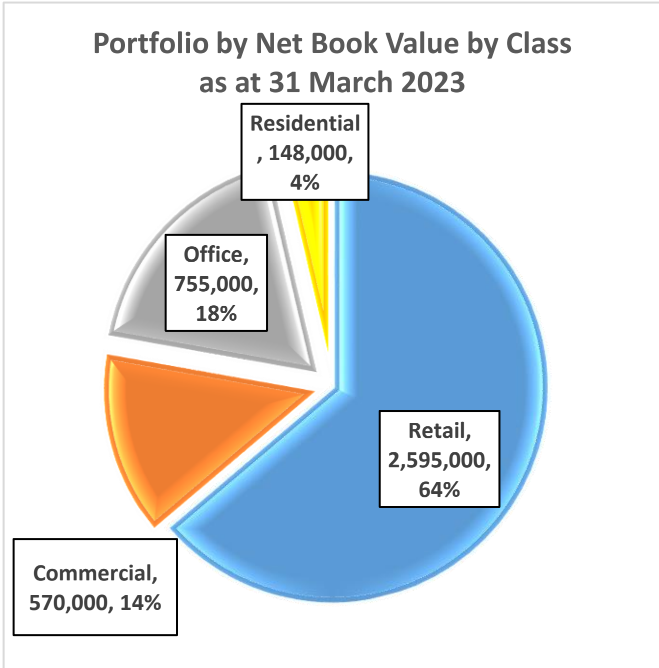
5.6. This additional borrowing need would result in additional and increasing capital financing costs in the revenue budget thereby further increasing the Funding Gap.

5.7. However, the borrowing need can be reduced through actions such as the receipt of external funding or sale of assets.

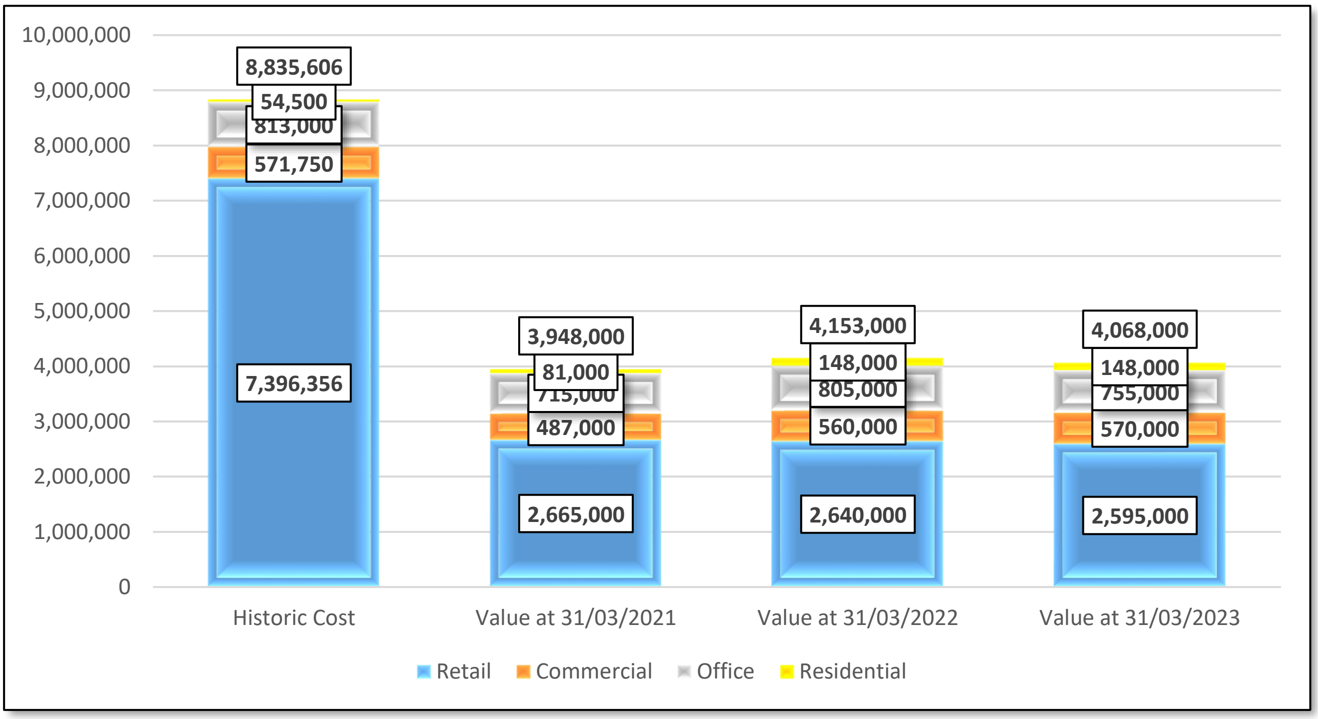
6. Current Investment in Property

6.1. The Council also owns a number of properties that provide an income return and the composition of the portfolio as at 31 March 2023 is shown below:





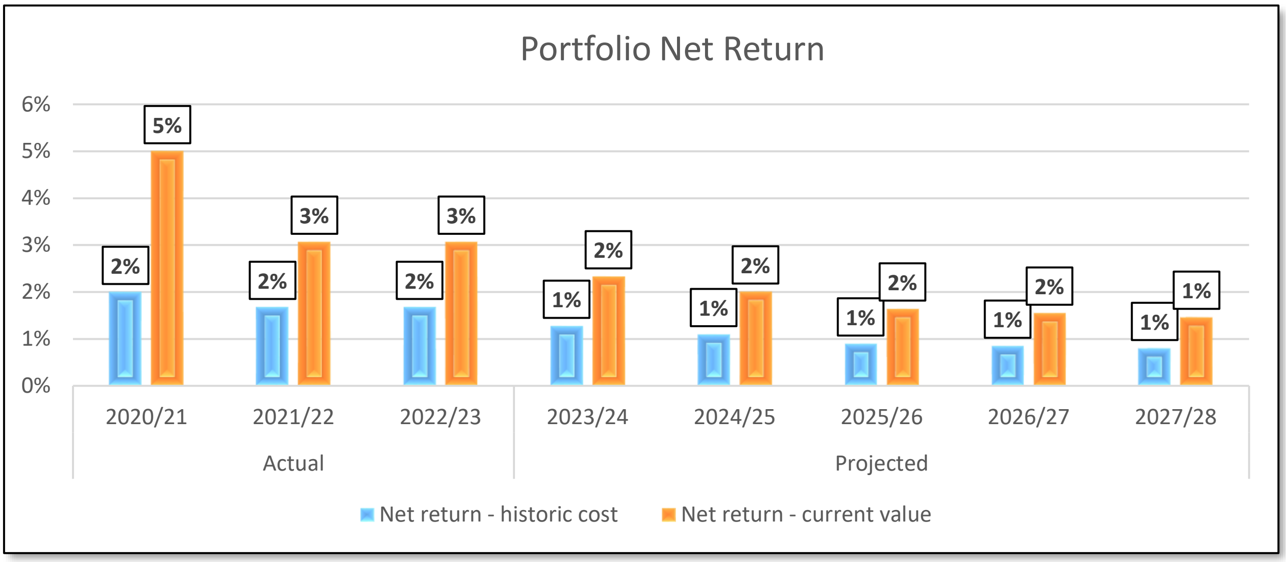
6.2. The value of these properties over the last three years is shown below:



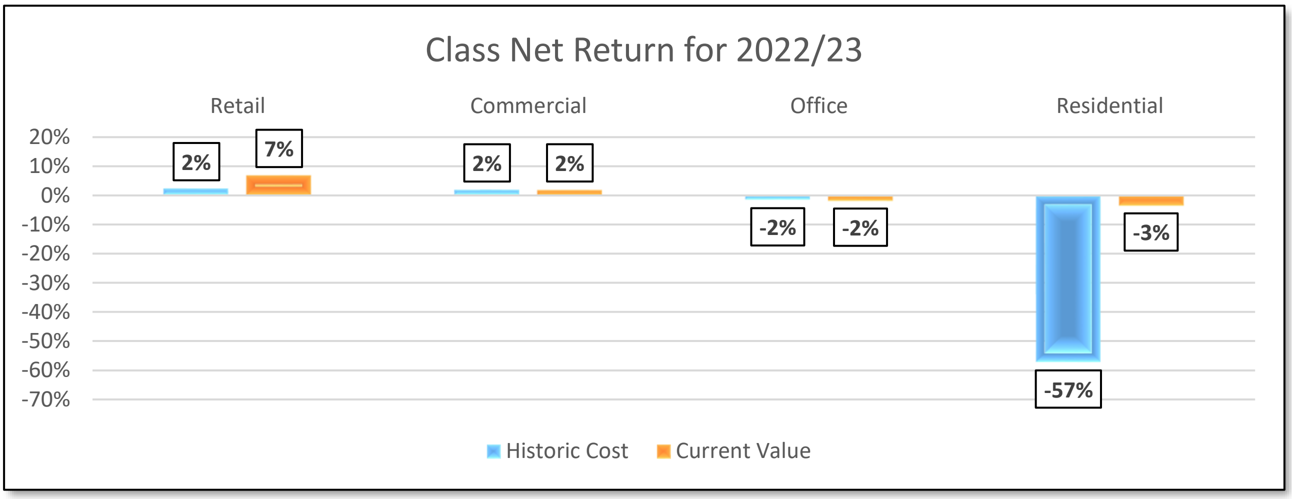
6.3. The value of these properties (mainly those classed as retail) have reduced because the value assessed by the external valuer is based on prevailing rental levels.

6.4. These properties were acquired without the need for borrowing and therefore the loan to value ratio for the portfolio is **0%**.

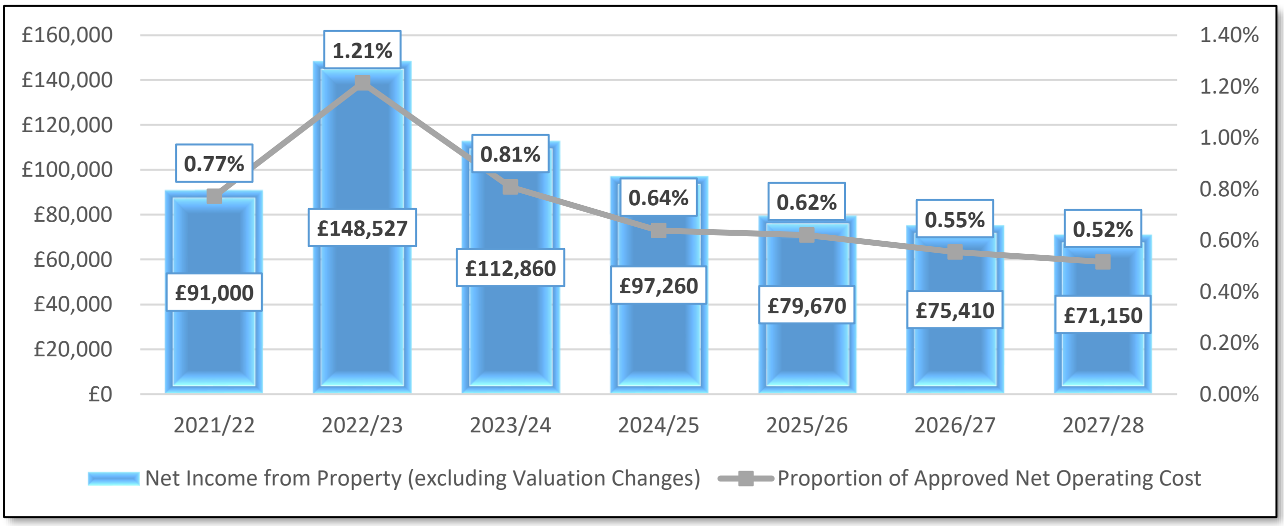
6.5. The portfolio net return based after taking account of management costs using historic asset cost and current value is shown in the chart below:



6.6. The net return is further analysed by class of investment within the portfolio:



6.7. The proportion of the Revenue Budget supported by income from these properties is shown below:



6.8. The ratio of Treasury Management investments to property asset investments is shown below:

6.9. The Council has a Local Authority Trading Company Lichfield West Midlands Trading Services (LWMTS) Limited, which was incorporated in September 2019 with an aim to support local services.

6.10. The Council undertook an equity investment of **£225,000** in 2020/21 to support local services.

6.11. In addition, Council has approved a capital loan of **£5,788,000** (including client contingency of £883,000) to the Joint Venture to deliver the Cinema development in Lichfield City. The accounting treatment of this capital investment will need to be considered as part of the 'Buy Out' considerations that will include the identification of the most appropriate ownership model.

7. Debt Management

7.1. The Capital Programme is funded from a variety of sources. A number of these sources such as capital receipts, the revenue budget, grants, contributions, and reserves utilise resources that are immediately available or are receivable. However, when capital expenditure is approved, and these resources are not available, then a **Capital Financing Requirement** (CFR) or borrowing need results.

7.2. The CFR is managed through the approval by Council of the Medium Term Financial Strategy including the Capital Programme and Prudential Indicators.

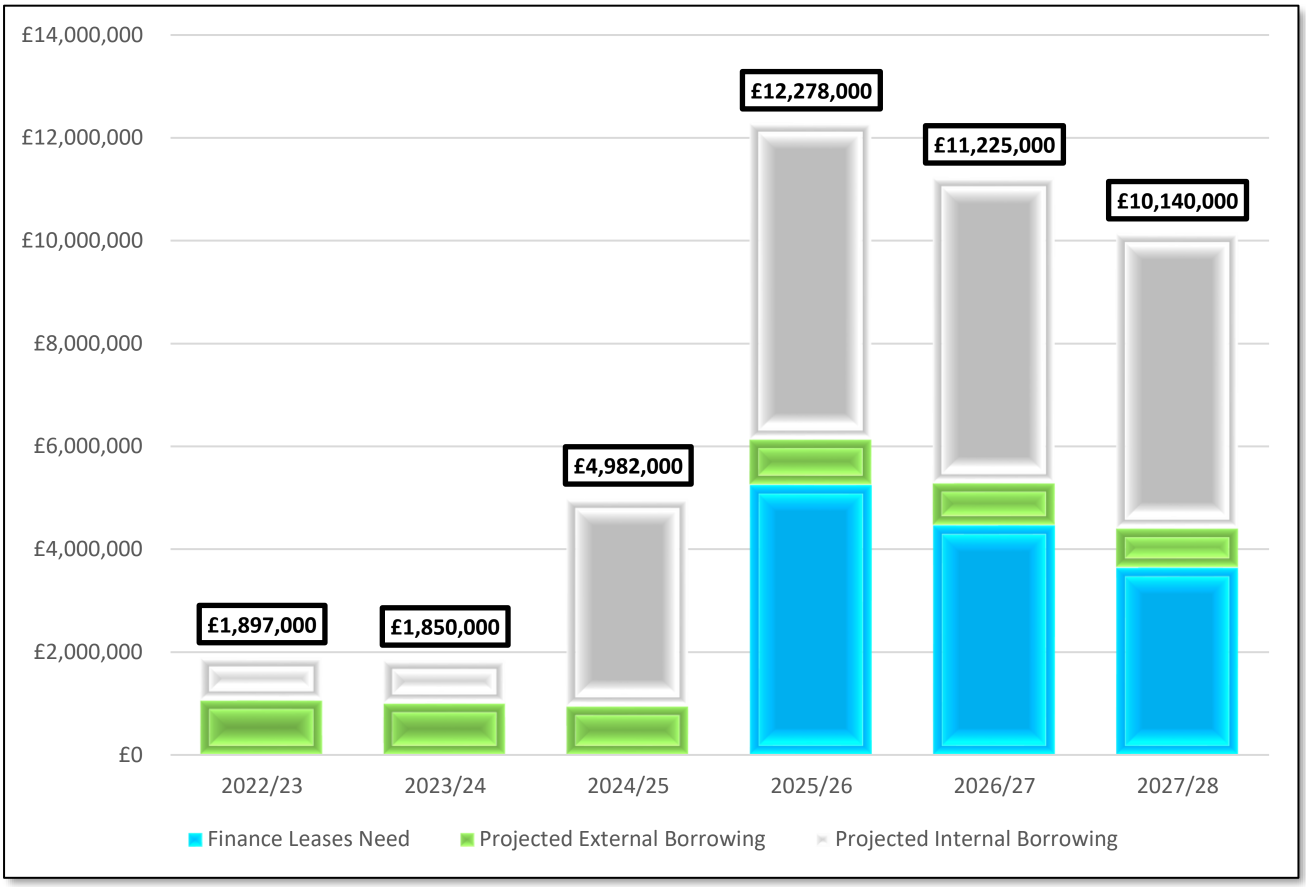
7.3. The CFR must be financed through borrowing or leases (external debt) or by temporarily utilising internal resources (internal borrowing).

7.4. At 31 March 2023 the Council had a relatively low level of external debt outstanding of **£1,065,000**.

7.5. The new leisure centre, the Cinema for Lichfield District and the renewal of the waste fleet will mean the CFR is projected to increase to **£10,140,000** by 31 March 2028.

7.6. The new leisure centre and the Cinema for Lichfield District will initially be funded through Internal Borrowing and the waste fleet potentially through a contract hire type arrangement which is classified as external debt.

7.7. The projected CFR (the total for each column), **external debt** (leases and external borrowing) and **internal borrowing** is shown below:



7.8. The CFR is related to:

- Historic capital expenditure for the Chasewater Dam and Friary Outer Car Park.
- Planned capital expenditure for the new Leisure Centre, the Cinema for Lichfield District and the renewal of the waste fleet funded by a lease type arrangement.

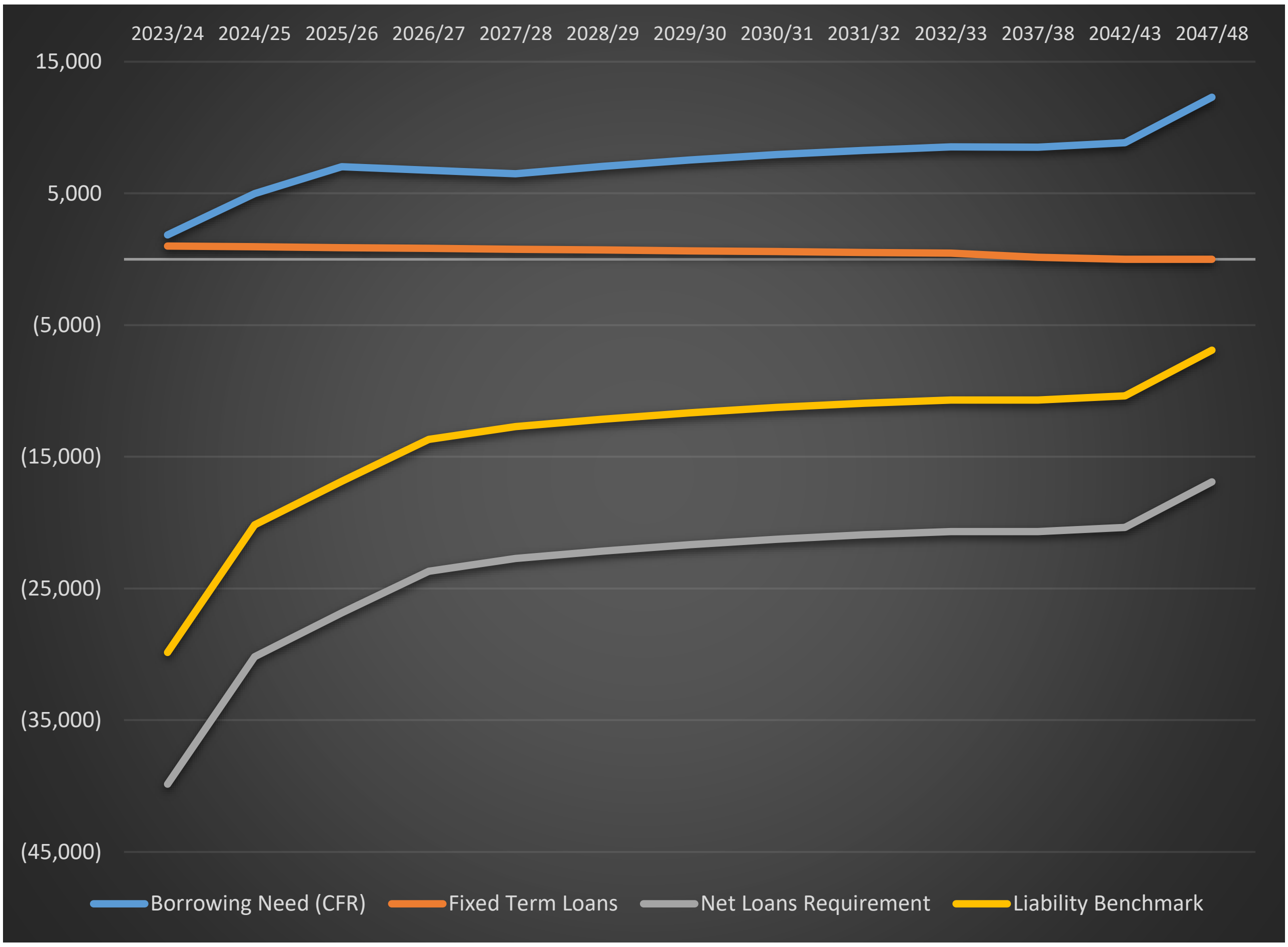
7.9. The Council manages its external debt through setting Prudential Indicators, related to the statutory maximum, known as the **Authorised Limit** and a lower warning level known as the **Operational Boundary**.

7.10. The external debt projections are based on the approved Capital Programme however to manage unforeseen events, an element of flexibility or 'headroom' is included in the Prudential Indicators:

- **Operational Boundary** – flexibility is included to enable internal borrowing to be converted to external debt or for example, to ensure accounting changes such as those proposed for all leases to be classed as finance leases, to be incorporated without breaching the limit.
- **Authorised Limit** – this provides additional flexibility to manage unusual cash flows that necessitate temporary borrowing such as Government Grants not being paid.

7.11. The **liability benchmark** is the lowest risk level of <u>external borrowing</u> by keeping cash and investments to a minimum of **£10m** at each year end to maintain liquidity but minimise credit risk.

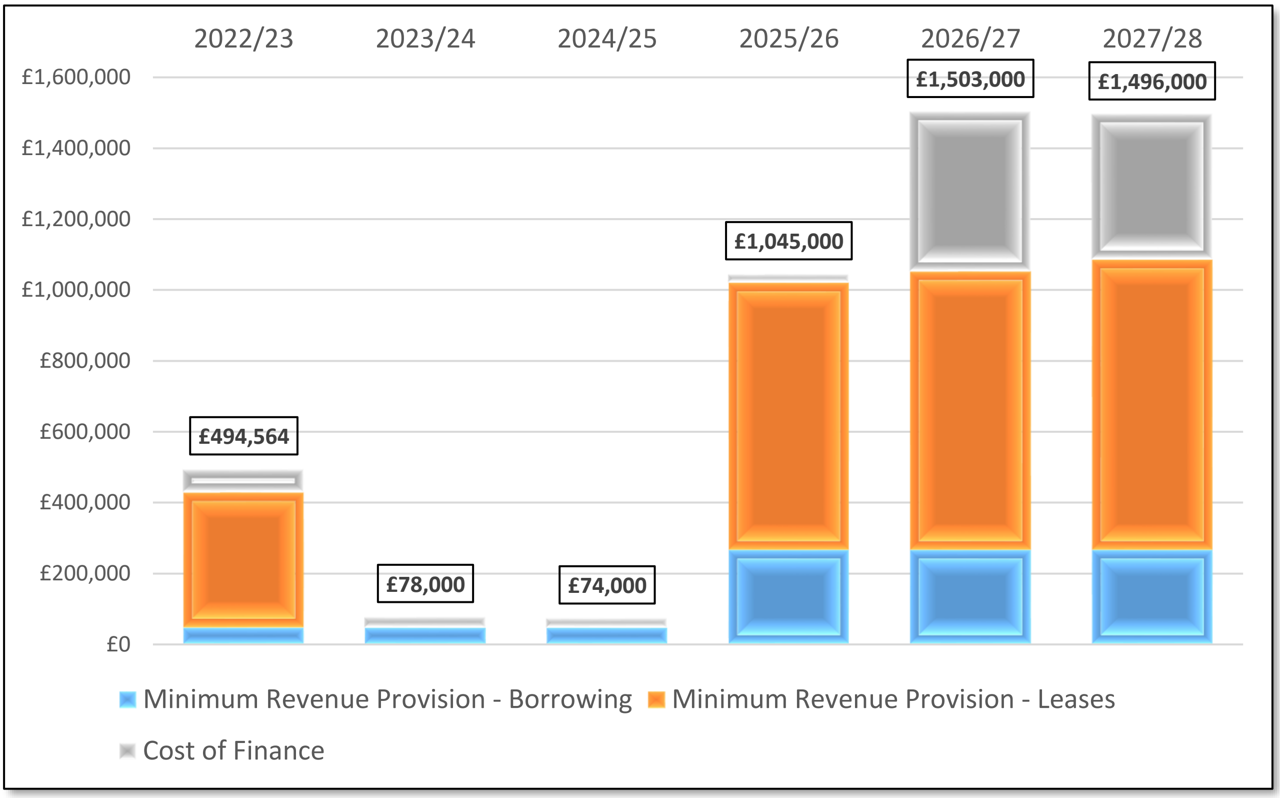
7.12. The projected level of borrowing, external borrowing, Net Loans Requirement together with the projected Liability Benchmark is shown below:



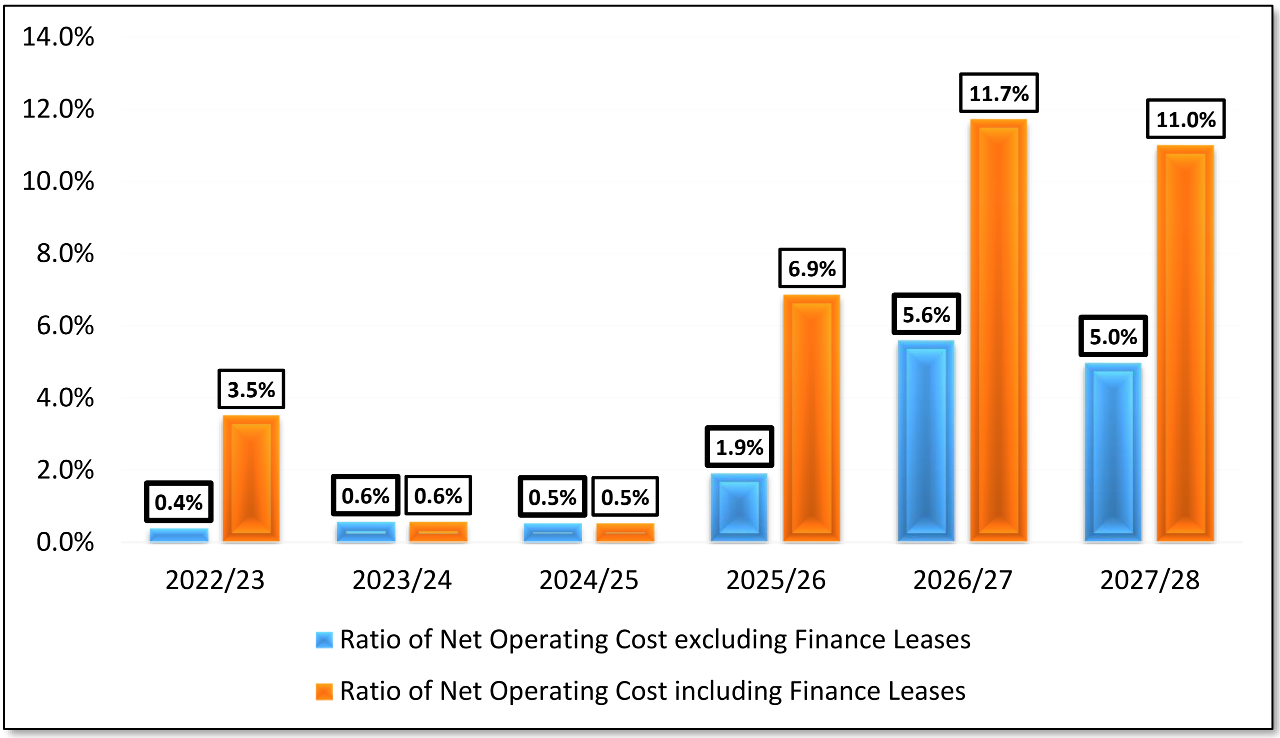
7.13. The chart above shows:

- **The projected level of borrowing need** (the blue line) – this is capital expenditure (excluding leases) that is not funded by available resources such as capital receipts, grants, and revenue.
- **The projected level of external borrowing** (the orange line).
- <u>The difference between the blue and orange lines is the projected level of internal borrowing.</u>
- **The Net Loans Requirement** (the grey line) – this is the Balance Sheet projection of cash resources.
- **The Liability Benchmark** (the yellow line) – this is the Net Loans Requirement less a minimum level of investments of £10m.
- <u>When the Liability Benchmark is projected to become positive, it would be at this point that the replacement of internal borrowing by external borrowing would need to be considered.</u>

7.14. The cost of debt servicing includes the cost of finance and Minimum Revenue Provision (MRP). Debt is only a temporary source of finance since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as MRP:



7.15. The proportion of the net budget allocated to financing costs is:



7.16. The Minimum Revenue Provision and therefore the financing costs ratio increases in 2025/26 due to the inclusion of the debt costs commencing at **£200,000** for the new leisure centre and **£19,800** for the cinema for Lichfield District.

8. Financial Guarantees

8.1. In addition to the debt projections shown above, in relation to external borrowing and leases, the Council can also act as a guarantor for an admitted body that delivers services on behalf of the Council.

8.2. In the event it is probable that these guarantees will be required a financial provision is created to mitigate the risk. Any guarantee is assessed throughout the year, in terms of the financial viability of the organisations for which the guarantee is provided, to determine whether a financial provision will need to be created.

8.3. The one guarantee previously identified in relation to Freedom Leisure is no longer required given management has been insourced to LWMTS from 1 April 2023.

9. The Authority's Risk Appetite, Knowledge and Skills

9.1. The Council's risk appetite, along with most of Local Government, is increasing due to the need to offset funding reductions from Central Government with income from alternative sources.

9.2. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Assistant Director - Finance and Commissioning is a qualified accountant with 30 years' experience, the Council uses the Property Team that forms part of the services provided by the Company to the Council to optimise the management of existing property. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and the Association of Accounting Technicians.

9.3. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and has access to property professionals through LWMTS This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

9.4. The Council plans to utilise where appropriate the flexible use of capital receipts for transformation projects such as the Being a Better Council Programme.

10. Prudential and Local Indicators

10.1. The Prudential and Local Indicators in relation to the Capital Strategy are included in the Reports to Audit Committee and Cabinet prior to Council Approval.

11. Chief Finance Officer Assessment of the Capital Strategy

11.1. I have assessed the current overall risk as **25** out of **64** based on the following factors:

	Likelihood	Impact	2024/25	2023/24
Minimum			**0**	**0**
Slippage Occurs in the Capital Spend	4	2	8	8
Planned Capital Receipts are not received	2	2	4	4
The Capital Programme does include investment to realise all the Council's Strategic aims	3	3	9	9
Actual Cashflows differ from planned Cashflows	2	2	4	4
Assessed Level of Risk			**25**	**25**
Maximum			**64**	**64**

11.2. Therefore, I believe the level of risk is Tolerable (Green).

ANNEX 1

Capital Programme – 25 Year Model (1 to 10 years, 15 years, 20 years and 25 years)

Key Assumptions													
Year	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2037/38**	**2042/43**	**2047/48**
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**15**	**20**	**25**
Population Projections	107,398	107,724	108,040	108,335	108,639	108,963	109,301	109,651	110,002	110,354	112,366	113,914	115,336
% Increase in Population		0.30%	0.29%	0.27%	0.28%	0.30%	0.31%	0.32%	0.32%	0.32%	0.37%	0.31%	0.31%
% of population 65 and over	25.57%	25.80%	26.09%	26.44%	26.69%	26.90%	27.14%	27.33%	27.49%	27.71%	27.83%	27.63%	27.63%
Projected Council Tax Base							43,705	44,024	44,343	44,662	46,257	47,852	49,447
Asset Values (£000)													
Buildings	41,931	54,443	59,574	58,912	58,249	58,249	58,249	58,249	58,249	58,249	58,249	58,249	58,249
Leisure Centre Cost above £5m													
Land	14,184	14,184	14,184	14,184	14,184								
Vehicles, Plant and Equipment	4,014	4,816	11,591	12,006	12,581								
Other Assumptions													
Core Budget Inflation Allowance						2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Asset Management Condition Allowance						0.39%							

Key Assumptions	**Medium Term Financial Strategy**					**Additional Projections**							
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2037/38**	**2042/43**	**2047/48**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**15**	**20**	**25**
New Assets													
A Cinema for Lichfield District	2,888	2,836	3,999										
Replacement Leisure Centre	826	7,339	1,835										
Housing Investment		1,178											
New Coach Park	100												
32-44 Bakers Lane	1,582												
Sub Total	**5,396**	**11,353**	**5,834**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Existing Property													
Property Planned Maintenance	133	61	190	230	230	230	235	239	244	249	275	303	335
BRS - Short Term Redevelopment	268	802											
36a Bore Street	492												
Zip Wire Burntwood	30												
Burntwood Leisure Centre	473	300											
3G Pitch in Burntwood	200	200											
Beacon Park	161	300											
Chasetown Memorial Bowling Green	10												

District Council House	470	388											
Public Conveniences	121												
Sub Total	**2,358**	**2,051**	**190**	**230**	**230**	**230**	**235**	**239**	**244**	**249**	**275**	**303**	**335**
Vehicles, Plant and Equipment													
Bin Purchases/Dual Stream Recycling	181	150	150	150	150	150	151	152	153	154	160	165	171
Vehicles - Waste			6,000							6,120			
Vehicles - Other	120	275	450	90	250	237	242	247	252	257	283	313	345
ICT Investment	150	154	175	175	175	175	179	182	186	189	209	231	255
Building a Better Council	77												
Car Park Strategy	160	223											
Committee Audio-Visual Meeting Platform	85												
Sub Total	**773**	**802**	**6,775**	**415**	**575**	**562**	**571**	**581**	**591**	**6,720**	**652**	**709**	**771**
Other Capital Investment													
Disabled Facilities Grants	950	1,220	1,337	1,300	1,100	1,100	1,113	1,125	1,135	1,148	1,174	1,181	1,196
Other Projects	1,343	400				275	281	286	292	298	329	363	401
Sub Total	**2,293**	**1,620**	**1,337**	**1,300**	**1,100**	**1,375**	**1,394**	**1,411**	**1,427**	**1,445**	**1,502**	**1,544**	**1,596**
Total Modelled Expenditure	**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**2,167**	**2,200**	**2,231**	**2,261**	**8,415**	**2,429**	**2,556**	**2,703**

Key Assumptions	**Medium Term Financial Strategy**					**Additional Projections**							
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2037/38**	**2042/43**	**2047/48**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Corporate Funding													
Capital Receipts	(2,033)	(1,110)	(174)	(222)									
Capital Receipts - Right to Buy	(360)												
Revenue - Corporate	(173)	(100)	(565)	(183)									
Other Funding													
Disabled Facilities Grant - New	(950)	(1,109)	(1,109)	(1,109)	(1,100)	(1,100)	(1,113)	(1,125)	(1,135)	(1,148)	(1,174)	(1,181)	(1,196)
Disabled Facilities Grant - Existing		(111)	(228)	(191)									
Other Grants	(745)	(1,664)	(2,425)										
Section 106	(537)	(993)											
CIL	(1,350)	(800)											
Reserves	(4,509)	(6,610)	(1,169)	(90)	(655)								
Revenue - Existing Budgets	(163)	(150)	(150)	(150)	(150)	(150)	(151)	(152)	(153)	(154)	(160)	(165)	(171)
Leases			(6,000)			0	0	0	0	(6,120)	0	0	0
Total Modelled Funding	**(10,820)**	**(12,647)**	**(11,820)**	**(1,945)**	**(1,905)**	**(1,250)**	**(1,264)**	**(1,277)**	**(1,288)**	**(7,422)**	**(1,333)**	**(1,347)**	**(1,367)**
Annual Borrowing Need	**0**	**3,179**	**2,316**	**0**	**0**	**917**	**935**	**954**	**973**	**993**	**1,096**	**1,210**	**1,336**
Cumulative Annual Borrowing Need	**0**	**3,179**	**5,495**	**5,495**	**5,495**	**6,412**	**7,347**	**8,301**	**9,275**	**10,267**	**15,536**	**21,353**	**27,776**
Cumulative Borrowing Need (after MRP)	**1,850**	**4,983**	**7,032**	**6,765**	**6,500**	**7,059**	**7,543**	**7,951**	**8,280**	**8,530**	**8,524**	**8,845**	**12,306**

Draft Capital Programme

Project		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000	Corporate
		Draft Capital Programme						
Burntwood Leisure Centre Sinking Fund Projects	A	144	0	0	0	0	144	59
Friary Grange - Short Term Refurbishment	R	134	0	0	0	0	134	0
Burntwood Leisure Centre - Decarbonisation Scheme	A	29	0	0	0	0	29	0
Replacement Leisure Centre	A	826	7,339	1,835	0	0	10,000	400
Accessible Homes (Disabled Facilities Grants)	R	950	1,220	1,337	1,300	1,100	5,907	0
Affordable Housing Monies	A	0	1,178	0	0	0	1,178	0
Vehicle Replacement Programme - Env Health	A	0	0	0	20	0	20	0
Conversion of 36a Bore Street	A	492	0	0	0	0	492	360
Streethay Community Centre	R	850	0	0	0	0	850	0
Changing Places Fund	A	36	0	0	0	0	36	0
Zip Wire in Burntwood	A	30	0	0	0	0	30	0
Burntwood Community Hub	R	250	0	0	0	0	250	0
Climbing Wall at Burntwood Leisure Centre	A	50	50	0	0	0	100	0
Pre-school soft play facility at Burntwood Leisure Centre	A	50	50	0	0	0	100	0
Adventure Golf at Beacon Park	A	150	150	0	0	0	300	0
Obstacle Course at Beacon Park	A	0	150	0	0	0	150	0
Padel Tennis courts	A	200	200	0	0	0	400	0
New 3G Pitch in Lichfield	A	200	200	0	0	0	400	0
Mavesyn Ridware Village Hall Play Area Improvements	R	5	0	0	0	0	5	0
Fence at Chasetown Memorial Bowling Green	A	10	0	0	0	0	10	0
Play Equipment at Beacon Park	A	11	0	0	0	0	11	0
Upgrading electrical heating in St Stephens Church, Fradley	R	4	0	0	0	0	4	0
Enabling People Total		**4,421**	**10,537**	**3,172**	**1,320**	**1,100**	**20,550**	**819**
Lichfield Public Conveniences	A	40	0	0	0	0	40	40
Vehicle Replacement Programme (Waste)	A	0	0	6,000	0	0	6,000	0
Bin Purchase	A	150	150	150	150	150	750	0
Dual Stream Recycling	A	31	0	0	0	0	31	0
Vehicle Replacement Programme (Other)	A	120	275	450	60	250	1,155	200
Burntwood Public Conveniences	A	45	0	0	0	0	45	0
Shaping Place Total		**386**	**425**	**6,600**	**210**	**400**	**8,021**	**240**
Vehicle Replacement Programme (Car Parks)	A	0	0	0	10	0	10	0
Coach Park	A	100	0	0	0	0	100	39
Car Parks Variable Message Signing	A	160	0	0	0	0	160	0
Pay on Exit System at Lombard Street	A	0	143	0	0	0	143	0
Electric Vehicle Charge Points	A	0	80	0	0	0	80	0
BRS Enabling Works	A	268	802	0	0	0	1,070	0
Cinema Development	A	2,888	2,836	3,999	0	0	9,723	1002
32-44 Bakers Lane	A	1,582	0	0	0	0	1,582	1478
Incubator Space	A	0	388	0	0	0	388	(143)
New 3G Pitch at Chasetown Football Club	R	100	0	0	0	0	100	0
Small scale investment in micro and small enterprises	R	0	200	0	0	0	200	0
Development and promotion of the visitor economy	R	0	100	0	0	0	100	0
Active travel enhancements in the local area	R	0	100	0	0	0	100	0
Incubator Phase 3	A	395	0	0	0	0	395	80
Developing Prosperity Total		**5,493**	**4,649**	**3,999**	**10**	**0**	**14,151**	**2,456**
Property Planned Maintenance	A	133	61	190	230	230	844	614
IT Infrastructure	A	150	154	175	175	175	829	554
Council Car Park Extension	A	75	0	0	0	0	75	75
Building a Better Council	A	77	0	0	0	0	77	77
Committee Audio-Visual Hybrid Meeting Platform	A	85	0	0	0	0	85	85
Good Council Total		**520**	**215**	**365**	**405**	**405**	**1,910**	**1,405**
Draft Capital Programme		**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**	**4,920**

A = Asset related R = Statutory based

APPENDIX B

Funding Source	Draft Capital Programme 2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Capital Receipts	2,033	1,110	174	222	0	3,539
Capital Receipts - Housing	360	0	0	0	0	360
Revenue - Corporate	173	100	565	183	0	1,021
Corporate Council Funding	**2,566**	**1,210**	**739**	**405**	**0**	**4,920**
Grant	1,695	2,884	3,762	1,300	1,100	10,741
Section 106	537	993	0	0	0	1,530
CIL	1,350	800	0	0	0	2,150
Reserves	4,509	6,610	1,169	90	655	13,033
Revenue - Existing Budgets	163	150	150	150	150	763
Sinking Fund	0	0	0	0	0	0
Leases	0	0	6,000	0	0	6,000
Internal Borrowing	0	3,179	2,316	0	0	5,495
Total	**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**
External Borrowing	0	0	0	0	0	0
Total Funding	**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**

Reconciliation of Original Capital Programme to this Draft Capital Programme

	Cabinet or Decision Date	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Original Budget Council 28/02/2023		**15,420**	**9,728**	**7,671**	**1,524**	**0**	**34,343**
Approved Changes							
Slippage from 2022/23	27/06/2023	1,566	(272)				1,294
Allocation of S106 Monies	24/02/2023	42					42
Burntwood Leisure Centre (MM Outturn)	27/06/2023	85					85
Cabinet Member Briefing Note - Re-allocation of funding for Chasetown Memorial Park	27/03/2023	10					10
A Cinema for Lichfield District	27/06/2023	1,875	146				2,021
Rural England Prosperity Fund (MTFS Report)	27/06/2023	100	300				400
Increase Streethay Community Centre (Money Matters Qtr 1)	05/09/2023	250					250
Money Matters Qtr 2	05/12/2023	(9,339)	6,881	2,258	386	186	372
Transfer Decent Homes Standard to Energy Insulation project	10/10/2023	(25)					(25)
A Cinema for Lichfield District - Update	05/12/2023	(174)	(150)	3,999			3,675
Money Matters P8	06/02/2024	1,010	(835)	173	(25)	(25)	298
Vehicle Replacement Programme (Other)	This Meeting		28	35	60	43	166
Projections for 2027/28							
Long Term Model	28/02/2023					1,701	1,701
Draft Capital Programme		**10,820**	**15,826**	**14,136**	**1,945**	**1,905**	**44,632**

Minimum Revenue Provision Statement 2024/25

Where the Council finances capital expenditure by debt (finance leases, internal and external borrowing), it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum since 2008. The Local Government Act 2003 requires this Council to have regard to the Department of Levelling Up, Housing and Communities (DLUHC) guidance on MRP most recently issued in 2018.

The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over the period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The DLUHC Guidance requires the Council to approve an annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

- For capital expenditure incurred after 1 April 2008 where no financial support is provided by the Government through the Finance Settlement, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments starting in the year after the asset becomes operational. MRP on purchases of **freehold land** will be charged over a maximum of **50 years**. MRP on expenditure not related to assets but that has been **capitalised by regulation or direction** (Revenue Expenditure Funded by Capital under Statute or REFCUS) will be charged over a maximum of **20 years**.
- For assets acquired by **leases**, MRP will be determined as being equal to the **element of the rent or charge that is used to write down the Balance Sheet liability**.
- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- For **capital expenditure loans to third parties that are repaid** the Authority will make **nil MRP** unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's, view is consistent with the current regulations.
- Capital expenditure funded by debt incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

Based on the Authority's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2024, the budget for MRP has been set as follows:

	Estimated CFR 31/03/2024 £000	**Estimated MRP 2024/25 £000**
Capital Expenditure after 31/03/2008	1,850	47
Leases	0	0
Total	**1,850**	**47**

Treasury Management

Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

As part of the MTFS, we prepare integrated Revenue Budgets and a Capital Programme. These budgets, together with the actual Balance Sheet from the previous financial year, are used to also prepare Balance Sheet projections. These Balance Sheet Projections are shown on the next page.

These Balance Sheet projections are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement (including comparison to a **Liability Benchmark** explained below), investment levels and our Investment Policy and Strategy.

A Liability benchmark compares the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as used in the Balance Sheet projections, but that cash and investment balances are kept to a minimum level (**£10m**) to maintain sufficient liquidity but minimise credit risk using Internal Borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast Capital Financing Requirement (CFR) or Borrowing Need over the next three years. The table shows that the Council expects to comply with this recommendation.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Capital Financing Requirement (Borrowing)	£1,896	£1,849	£4,982	£7,031	£6,765	£6,498
Capital Financing Requirement (Finance Leases)	£0	£0	£0	£5,246	£4,460	£3,640
Total	**£1,896**	**£1,849**	**£4,982**	**£12,277**	**£11,225**	**£10,138**

External Borrowing	(£1,066)	(£1,005)	(£945)	(£883)	(£822)	(£762)
Finance Leases	£0	£0	£0	(£5,246)	(£4,460)	(£3,640)
Total	**(£1,066)**	**(£1,005)**	**(£945)**	**(£6,129)**	**(£5,282)**	**(£4,402)**

Liability Benchmark	(£34,485)	(£31,756)	(£20,498)	(£20,023)	(£17,938)	(£16,877)

Balance Sheet Projections 2023-28

(Rounding may result in slight differences in figures in the wider Report)

	Type	2022/23 Actual £000s	2023/24 Budget £000s	2024/25 Budget £000s	2025/26 Budget £000s	2026/27 Budget £000s	2027/28 Budget £000s	2022/28 Change £000s
Non-Current Assets	ASSET	52,071	55,290	64,875	71,890	70,750	69,770	17,699
Equity Investment in Local Authority Company	ASSET	225	225	225	225	225	225	0
Long Term Debtors	CRED	57	57	57	57	57	57	0
Long Term Debtors - Cinema	CRED	64	2,952	5,788	5,788	5,788	5,788	5,724
Long Term Investment (Company Loan)	LOAN	0	0	0	0	0	0	0
Investments	INV	45,550	42,760	31,442	30,905	28,759	27,638	(17,912)
Borrowing	BOLE	(1,066)	(1,005)	(944)	(883)	(822)	(762)	304
Finance Leases	BOLE	0	0	0	(5,246)	(4,460)	(3,640)	(3,640)
Working Capital	CRED	(19,067)	(19,036)	(18,833)	(18,606)	(18,415)	(18,424)	643
Pensions	CRED	(11,630)	(10,526)	(11,602)	(12,708)	(11,637)	(12,746)	(1,116)
TOTAL ASSETS LESS LIABILITIES		**66,204**	**70,717**	**71,007**	**71,422**	**70,246**	**67,906**	**1,701**
Unusable Reserves								
Revaluation Reserve	REV	(14,969)	(14,969)	(14,969)	(14,969)	(14,969)	(14,969)	0
Capital Adjustment Account	CAP	(35,494)	(41,648)	(50,936)	(50,656)	(50,568)	(50,674)	(15,180)
Deferred Credits	CRED	(47)	(47)	(47)	(47)	(47)	(47)	0
Pension Scheme	CRED	11,630	11,979	12,338	12,708	13,090	13,482	1,852
Benefits Payable During Employment Adjustment Account	CRED	409	409	409	409	409	409	0
Collection Fund	CRED	(867)	(1,229)	0	0	0	0	867
Available for Sale Financial Instruments Reserve	CRED	1,230	1,453	884	884	884	884	(346)
Usable Reserves								0
Unapplied Grants and Contributions	UGER	(4,189)	(3,623)	(1,854)	(2,104)	(2,354)	(2,604)	1,585
Usable Capital Receipts	UGER	(2,282)	(2,470)	(1,391)	(1,248)	(1,059)	(1,087)	1,195
Burntwood Leisure Centre Sinking Fund	UGER	0	0	0	0	0	0	0
Earmarked Reserves - Unrestricted	UGER	(11,699)	(11,592)	(6,684)	(6,411)	(6,469)	(5,989)	5,710
Earmarked Reserves - Restricted	UGER	(3,941)	(3,145)	(2,922)	(2,922)	(2,922)	(2,922)	1,020
General Fund Balance	GEN	(5,985)	(5,836)	(5,836)	(7,067)	(6,241)	(4,389)	1,596
TOTAL EQUITY		**(66,204)**	**(70,717)**	**(71,007)**	**(71,422)**	**(70,246)**	**(67,906)**	**(1,701)**
Reserves Available to cover Investment Losses		**(17,684)**	**(17,428)**	**(12,520)**	**(13,478)**	**(12,710)**	**(10,378)**	**7,306**
Summary								
Capital Funding	CAP	(35,494)	(41,648)	(50,936)	(50,656)	(50,568)	(50,674)	(15,180)
Revaluation Reserve	REV	(14,969)	(14,969)	(14,969)	(14,969)	(14,969)	(14,969)	0
Borrowing and Leasing	BOLE	(1,066)	(1,005)	(944)	(6,129)	(5,282)	(4,402)	(3,336)
Non-Current Assets	ASSET	52,296	55,515	65,100	72,115	70,975	69,995	17,699
Investments	INV	45,550	42,760	31,442	30,905	28,759	27,638	(17,912)
Unapplied Grants & Earmarked Reserves	UGER	(22,111)	(20,829)	(12,850)	(12,684)	(12,803)	(12,602)	9,510
General Reserve	GEN	(5,985)	(5,836)	(5,836)	(7,067)	(6,241)	(4,389)	1,596
Long Term Debtors	DEBT	57	57	57	57	57	57	0
Long Term Debtors (Joint Venture)	LOAN	64	2,952	5,788	5,788	5,788	5,788	5,724
Long Term Investment (Company Loan)	LOAN	0	0	0	0	0	0	0
Working Capital & Pensions	CRED	(18,342)	(16,997)	(16,851)	(17,360)	(15,716)	(16,442)	1,900
Total		**0**	**0**	**0**	**0**	**0**	**0**	**(0)**
Internal Borrowing		**831**	**845**	**4,038**	**6,149**	**5,943**	**5,738**	**4,907**
Liability Benchmark								
Capital Financing Requirement (Borrowing)		1,896	1,849	4,982	7,031	6,765	6,498	4,602
Working Capital, Pensions & Long Term Debtors		(18,285)	(16,940)	(16,794)	(17,303)	(15,659)	(16,385)	1,900
Usable Reserves		(28,096)	(26,665)	(18,686)	(19,751)	(19,044)	(16,991)	11,106
Minimum Level of Investments		10,000	10,000	10,000	10,000	10,000	10,000	0
Total		**(34,485)**	**(31,756)**	**(20,498)**	**(20,023)**	**(17,938)**	**(16,877)**	**17,608**

Borrowing Strategy

The Council currently projects **£1,005,000** of loans outstanding at the 31 March 2024, a decrease of **£61,000** on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast on the previous page shows that the Council does not expect to need to borrow in 2024/25. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of **£19.872 million**.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Staffordshire County Pension Fund)
- capital market bond investors
- retail investors via a regulated peer to peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between **£43.68 million** and **£67.20 million** and similar levels are expected in the forthcoming year.

Objectives: The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2024/25. This is especially the case for the estimated £13m that is available for longer-term investment. A reducing proportion of the Council's surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2019.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing. At present the Authority's investment approach does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. Therefore, when investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown (recommended changes are in red).

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£2m	Unlimited
Secured investments *	25 years	£2m	Unlimited
Banks (unsecured) *	13 months	£1m	Unlimited
Building societies (unsecured) *	13 months	£1m	£2m
Registered providers (unsecured) *	5 years	£1m	£5m
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£5m	£15m
Real estate investment trusts	n/a	£1m	£5m
Other investments *	5 years	£0.5m	£2m

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than **A-**. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of **£500,000 per counterparty** as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below **£500,000 per bank**. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Council's revenue reserves available to cover investment losses are forecast to be **£17.428 million** on 31st March 2024. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and pooled funds) will be **£2 million**. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives, and balances greater than **£500,000** in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

<u>Investment limits</u>

	Cash limit
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£12m per broker
Foreign countries	£2m per country

Liquidity management: The Council uses an excel spreadsheet for cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over a number of providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Assistant Director - Finance and Commissioning believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2024/25 is **£2,120,000**, based on an average investment portfolio of **£45.31 million** at an interest rate of **4.73%**. The budget for external debt interest paid in 2024/25 is **£26,000**, based on an average external debt portfolio of **£960,000** at an average interest rate of **2.59%**. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then yield in excess of an average of **1.80%**[2] will be transferred to treasury management volatility reserves to cover the risk of capital losses or lower interest rates payable in future years.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Assistant Director - Finance and Commissioning, having consulted the Cabinet Member for Finance and Commissioning, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

2 Based on a budgeted return of £250,000 from investments of £14m.

Non-treasury Investment Strategy Report 2024/25

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as "all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between **£33.90 million** and **£50.48 million** during the 2024/25 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2024/25 for treasury management investments are covered in a separate document in this report, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its employees for car loans, inherited housing loans from Birmingham City Council, makes loans to individuals to reduce the risk of homelessness and the joint venture.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Category of borrower	31.3.2023 actual			2023/24	2024/25
	Balance owing	Loss allowance	Net figure in accounts	Projection	Proposed Limit
Subsidiaries	£0	£0	£0	£0	£150,000
Employees – car loans	£0	£0	£0	£0	£100,000
Housing Loans - secured	£44,320	£0	£44,320	£44,320	£45,000
Housing Loans - unsecured	£2,771	£0	£2,771	£2,771	£3,000
Homelessness Loans	£9,148	(£9,148)	£0	£0	£50,000
Joint Venture - Cinema Development	£64,387	£0	£64,387	£2,888,000	£5,788,000
TOTAL	**£120,627**	**(£9,148)**	**£111,478**	**£2,935,091**	**£6,136,000**

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent including placing charges on properties for housing loans (secured) and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The most significant loans for service purposes are:

- The **£5,788,000** loan to the Joint Venture for the cinema development. The Council will have directors on the board of the joint venture and therefore the Council will be able to monitor and manage the repayment risk through the Business Plan.

Service Investments: Shares

Contribution: The Council has invested **£225,000** in shares of its Company to support local services.

Security: One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Category of borrower	31.3.2023 actual			2023/24	2024/25
	Amount Invested	Gains or Losses	Value in accounts	Projection	Proposed Limit
Subsidiaries	225,000	0	225,000	225,000	225,000
Joint Venture[3]	0	0	0	1	1
TOTAL	**225,000**	**0**	**225,000**	**225,001**	**225,001**

3 The level of equity investment is still to be agreed.

Risk Assessment: The Council assesses the risk of loss before entering into and whilst holding shares by regular approval of the Business Plan and review of the Annual Report.

Liquidity: The equity investment has no time limit and will be monitored through approval of the Business Plan.

Non Specified Investments: Shares are the only investment type the Council has identified that meets the definition of a non-specified investment in the government guidance, The limits on share investments above are also therefore the upper limits on non-specified investments.

Commercial Investments: Property

See the Capital Strategy at **APPENDIX A**.

Loan Commitments and Financial Guarantees

See the Capital Strategy at **APPENDIX A**.

Proportionality

See the Capital Strategy at **APPENDIX A**.

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. The Council does not currently plan to undertake this type of activity.

Capacity, Skills and Culture

See the Capital Strategy at **APPENDIX A**.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Total Investment Exposure	31/03/2023 Actual £000	31/03/2024 Forecast £000	31/03/2025 Forecast £000	31/03/2026 Forecast £000	31/03/2027 Forecast £000	31/03/2028 Forecast £000
Treasury Management Investments	£45,550	£42,760	£31,442	£30,905	£28,759	£27,638
Service investments - Shares	£225	£225	£225	£225	£225	£225
Commercial Investments: Property	£4,838	£4,838	£4,203	£4,203	£4,203	£4,203
TOTAL INVESTMENTS	**£50,613**	**£47,823**	**£35,870**	**£35,333**	**£33,187**	**£32,066**
Joint Venture Capital Advance	£64	£2,952	£5,788	£5,788	£5,788	£5,788
TOTAL EXPOSURE	**£50,677**	**£50,775**	**£41,658**	**£41,122**	**£38,976**	**£37,854**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the Council does not currently intend purchasing any service or commercial type investments. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investment rate of return (net of all costs)

Investments Net Rate of Return	31/03/23 Actual %	31/03/24 Forecast %	31/03/25 Forecast %	31/03/26 Forecast %	31/03/27 Forecast %	31/03/28 Forecast %
Treasury Management Investments	2.55%	4.65%	4.73%	3.75%	3.19%	3.20%
Service Investments - Loans						
Service Investments - shares						
Joint Venture Capital Advance[4]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ALL INVESTMENTS	**2.55%**	**4.65%**	**4.73%**	**3.75%**	**3.19%**	**3.20%**

Other Investment Indicators	31/03/23 Actual %	31/03/24 Forecast %	31/03/25 Forecast %	31/03/26 Forecast %	31/03/27 Forecast %	31/03/28 Forecast %
Investment Property Income as a proportion of Net Operating Cost	1.21%	0.81%	0.64%	0.62%	0.55%	0.52%

See the Capital Strategy at **APPENDIX A**.

4 Still to be finalised – likely to be no interest payable to either party in relation to the loans to the Joint Venture.

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INTERNAL AUDIT QUARTERLY PROGRESS REPORT Quarter 3

Cabinet Member for Finance & Commissioning

Lichfield district council

Date:	1 February 2024
Agenda Item:	6
Contact Officer:	Andrew Wood
Tel Number:	01543 308030
Email:	andrew.wood@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	**Full Council**

AUDIT COMMITTEE

1. Executive Summary

1.1 This report comprises Internal Audit's Annual Report, including results for the quarter to 31 December 2023 (**Appendix 1**).

2. Recommendations

2.1 To note Internal Audit's Progress Report to 31 December 2023.

3. Background

3.1 The internal audit plan 2023/24 comprises **18 (including the additional IT audits)** and taking into account of the deferred audit outlined below. The target of achieving **90%** of the plan and this has been profiled as within the table below:

	Q1	Q2	Q3	Q4
No of planned audits	4	7	3	4
Cumulative	4	11	14	18
Profile %	**22%**	**61**	**78%**	**100%**

No of audits completed	2		6	
No of audits deferred to 24/25			1	2
Cumulative	2	2	7	
Profile	**11%**	**11%**	**33%**	**85%**

3.2 As at 31st December 2023 we had completed or achieved completion of **33%** of the audit. This was below the year to date audit plan profile for 2023/24 of **78%** and was due in part, to exceptional circumstances. To address the ongoing situation, a contingency plan has been put into place to draw down further resource from BDO to ensure completion of the audit plan by 31st March 2024. 1 audit Development Management Performance has been deferred until 2024/25 due to a management restructure of this area. Additionally we are in discussions with management with regards to Taxi Licensing and Strategic Housing Management which may require to be rescheduled to 2024/25 due to policy changes and management structuring. The planned work with BDO is reviewed on a fortnightly basis to ensure that the work is being completed in a timely and prompt manner. These actions together with the current progress of the plan is shown and detailed in **Appendix 1**, of this report.

3.3 In respect of current ongoing work as at 31st December 2023 we have;

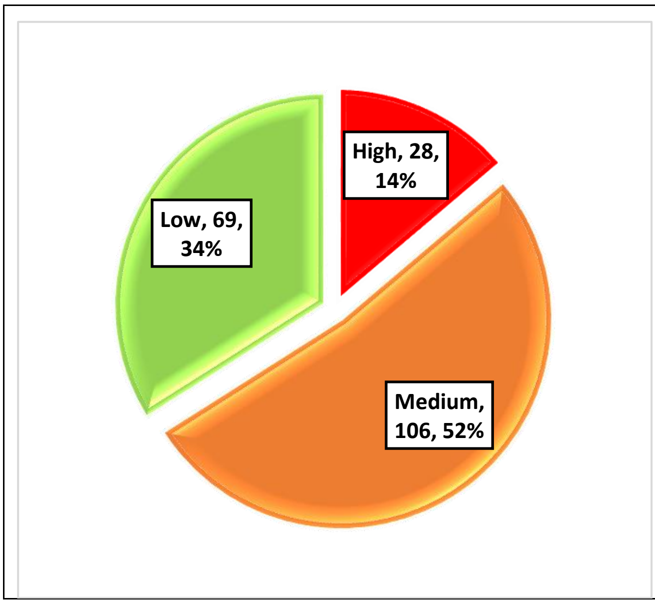
- Fieldwork fully completed and draft report issued to management – 3;
- Audit work commenced and fieldwork being undertaken – 5;
- Awaiting fieldwork start date in Q4 – 4; and
- Deferred audit – 1

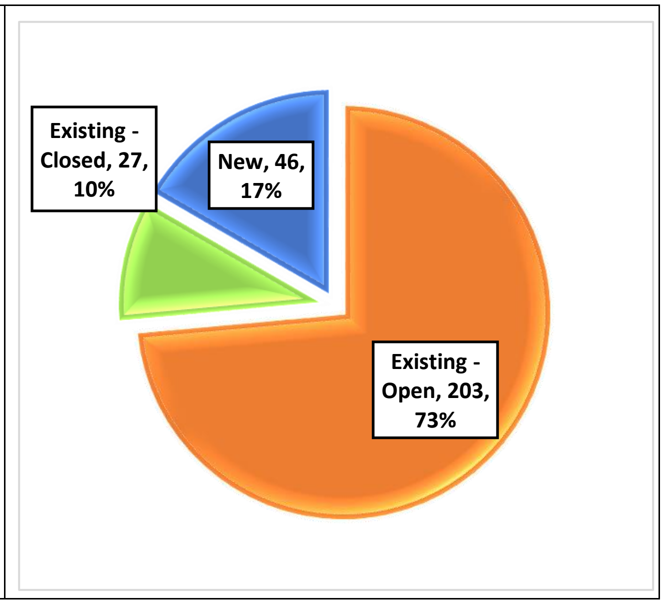
Management will continue to monitor arrangements for the provision of the service and the expectation is that taking into account the work commenced that we would achieve 78% of the audit plan with a least 1 audit being deferred. Any audits deferred from 2023/24 would be included in the planned audit work for 2024/25.

3.4 Included within **Appendix 1** are the currently completed audit reviews and the respective assurance levels identified at the conclusion of the review. It is highlighted that a number of reviews have resulted in 'Limited Assurance', these are reported regularly to Leadership Team and also Internal Audit carry out follow up reviews to ensure that recommendations have been fully actioned. The follow up reviews are reported to this committee.

3.5 We issued 4 satisfaction questionnaires during the period and are awaiting a response from 2. All responses will be reported to this committee once received.

3.6 In terms of outstanding recommendations, they currently total **203**, a summary is provided below with additional detail included within the **Appendix 1:**





3.7 As previously reported to Committee we report high priority recommendations to Leadership Team monthly and hold quarterly meetings with all Leadership Team to discuss all outstanding recommendations and the progress management is taking to address these issues. An extensive exercise is currently being put into place to review the current levels of outstanding audit recommendations. All recommendations have been circulated to senior management for their responses and these are in the process of being collated. The Audit Manager will be reporting to Leadership Team on progress in late January 2024. To enable clarity around the current position in relation to the overdue high priority recommendations I have included commentary on each of these in **Appendix 1** of this report. Additionally, follow up reviews will be undertaken on the recommendations identified in **Appendix 1.**

3.8 During 2022/23 and as reported to this committee on 23rd March 2023 the service underwent its External Quality Assessment in relation to compliance with the Public Sector Internal Audit Standards. The service was found to 'generally conform' with the standards and an agreed Action Plan has been developed. This will form the basis for the service's Quality Assurance and Improvement Plan which will be reported to this committee in the new municipal year. The current progress against the Action Plan is shown in **Appendix 2.** Outlined below is our overall completion rate for the recommendations raised. The expectation that these will be completed as part of the Audit Planning process for 2024/25 and final implementation by end of March 2024.

Priority	**Completed recommendations**	**Ongoing and in progress recommendations**
Review	5	2
Consider	5	0
%	83%	17%

The review also suggested enhancements to the service and as of 31st December 2023 we have achieved the following completion rates;

Completed recommendations	**Ongoing and in progress recommendations**
5	1
83%	17%

3.9 One whistleblowing issue has been reported to management during the period and initial investigations have been completed. Ongoing work is being undertaken and the results reported to this committee in due course.

3.10 The current contract with the IT Audit provision provided by E-Tec Business Services comes to a conclusion as at 31st March 2024 following a 1 year extension, as allowed within the contract. We are seeking to revisit the 'market' and put the IT Audit provision out to quotations in due course and the specification is being updated and it is proposed to ask three providers for their submissions. We are expecting this exercise to conclude in late February/early March and appointment to be made in anticipation for a start of date of 1st April 2024.

Alternative Options	N/A
Consultation	N/A
Financial Implications	The audit service has been delivered within budget during the year.
Approved by Section 151 Officer	Approved.
Legal Implications	None
Approved by Monitoring Officer	Approved.

Contribution to the Delivery of the Strategic Plan	Delivery of the audit plan contributes to all aspects of the District Council's StrategicPlan.

Equality, Diversity and Human Rights Implications	No equality, diversity or human rights implications arising from this report.
EIA logged by Equalities	EIA logged.

Crime & Safety Issues	None arising.
Data Assessment	None arising.
Environmental Impact	None arising.

GDPR/Privacy Impact Assessment	None required.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Significant / high risk systems of internal control fail and go unaddressed. Audit Manager	Likelihood: Yellow Impact: Red Severity: Red	The audit planning process ensures that audit resources are directed to areas of most significant /highest risk.	Likelihood: Green Impact: Yellow Severity: Yellow

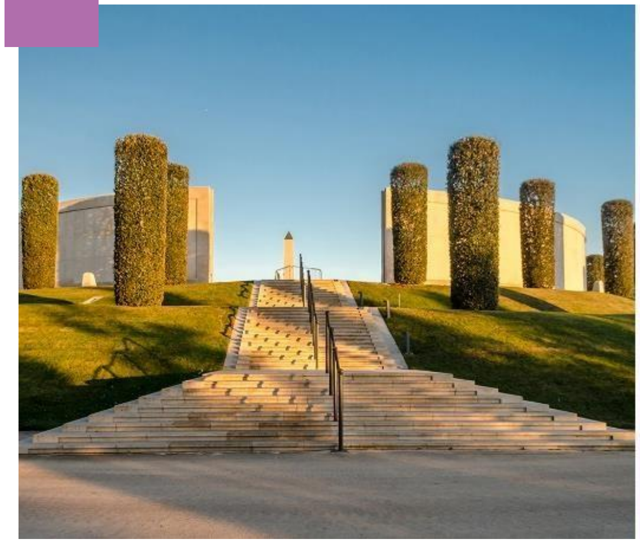
Background documents	Audit Plan and Charter approved by Audit & Member Standards Committee 24 March 2023.

Relevant web links	

APPENDIX 1

Lichfield district council

Internal Audit Progress Report (Quarter 3) 2023/24
January 2024



APPENDIX 1

Contents

If you have any questions about this report, please contact Andrew Wood andrew.wood@lichfielddc.gov.uk

01 INTRODUCTION

BACKGROUND

This report comprises Internal Audit's Progress Report for quarter 3 to 31 December 2023.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the council and should be used to help inform the annual governance statement. Internal audit also has an independent and objective consultancy role to help managers improve risk management, governance and control.

Internal Audit's professional responsibilities as auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board. During 2022/23 we completed the External Quality Assessment and were found to 'generally conform' to the standards. An agreed Action Plan has been developed and this will be reviewed by management and reported to committee in the new municipal year.

ACKNOWLEDGEMENTS

Internal audit is grateful to the heads of service, service managersand other staff throughout the council for their help during the period.

02 INTERNAL AUDIT WORK UNDERTAKEN

The internal audit plan for 2023/24 was approved by the Audit & Member Standards Committee in March 2023. The plan was for a total of 19 audits (3 of which were deferred from 2022/23). During 2023/24 we have procured the services of BDO and E-Tec Business Services for delivery of the plan, together with internal auditor resource.

The three audits deferred from 2022/23 were PCI DSS, Housing and Council Tax Benefit and Development Management (Performance). These are progressing and a final report has been submitted to management relating to PCI DSS. Housing and Council Tax Benefit is scheduled for review during quarter 4. Development Management during quarter 1 of 2024/25, delayed due to the current departmental restructure.

A key performance indicator for Internal Audit is to continue towards the target of 90% audit plan achievement at year end, we are currently at 33% completion of the plan as at 31st December 2023.

Performance against internal audit KPI's is at section 05 but clearly the above has had an effect. This is particularly highlighted in the turn around times for audits from fieldwork completion to draft report and final report agreement. We will continue to liaise with our general audit service provision to improve the turnaround timescales for 2023/24.

The audit findings of each review, together with recommendations for action and the management responses are set out in out detailed reports. A summary of the reports we have issued during the period is included at **Appendix 01.**

We continue to work with management in respect of reviewing completed audit recommendations.

4 OPINION

SCOPE OF THE OPINION

In giving an opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at an opinion, following matters have been taken into account:

- The outcomes of all audit activity undertaken during the period.
- The effects of any material changes in the organisation's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Whether there have been any resource constraints imposed upon us which may have impinged our ability to meet the full internal audit needs of the organisation.
- What proportion of the organisation's internal audit needs have been covered to date.

INTERNAL AUDIT OPINION

On the basis of audit work competed, our opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

SPECIFIC ISSUES

No specific issues have been highlighted through the work undertaken by internal audit during the year.

FRAUD & IRREGULARITY

Work was undertaken regarding a whistleblowing allegation which has been raised with management. Internal Audit carried out initial staff interviews to determine the veracity of the claims and subsequent management investigation is ongoing. Recommendations are in the process of being agreed by management to strengthen arrangements.

CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. During the period to 31st December 2023, the following was undertaken:

- Fuel
- Review of DWP Searchlight
- Lichfield BID
- Parks

5 FOLLOW UP

Internal audit follow up all high priority actions and those arising from no and limited overall assurance, manager's confirmation applies to the rest (see KPI section 05).

Of those receiving a no or limited assurance opinion which require follow up, a summary of progress to date on these audits is given at Appendix 01.

Currently there are 203 outstanding recommendations at 31 December 2023, shown in the table below:

Action Priority Rating	Total Open Actions at 31 March 2023	Actions Raised Since April 2023	Total Overall	Total Closed out at 31 Dec 2023	Total Open at 31 Dec 2023	% Implemented in the period
High	**13**	**19**	**32**	**4**	**28**	**13 %**
Medium	**102**	**13**	**115**	**9**	**106**	**8 %**
Low	**69**	**14**	**83**	**14**	**69**	**17 %**

Due to the changes in the management structure and previous ongoing senior management vacancies, which have now been filled further work will be undertaken in respect of outstanding audit recommendation. All high recommendations are re-tested and 10% of medium and low priority actions are sample tested to confirm the accuracy of manager's confirmation. Actions sampled confirmed implementation. We have recently completed a follow up of the GDPR limited audit and we can now provide a substantial assurance.

Of those audits receiving a no or limited assurance opinion which have been followed up, a summary of progress to date is given at Appendix 01.

Committee have previously asked for further details relating to current high priority recommendations. There are currently 28 high priority recommendations of which 22 are overdue and 6 are not yet due, these are detailed in the table below. Additionally, all high priority audit recommendations are reported to Leadership Team to provide feedback and sight of outstanding recommendations.

05 PERFORMANCE OF INTERNAL AUDIT

Performance of internal audit

Compliance with professional standards

We employ a risk-based approach in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Conflicts of interest

There have been no instances during the year which have impacted on our independence that have led us to declare an interest.

Internal audit quality assurance

To make sure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular meetings of our networking groups, which issue technical and sector updates.

Performance Measures

- Complete 90% of the audit plan **- 33%**
- 100% Draft reports issued within 6 weeks of start date – **67%**
- 100% Closure meetings conducted within 5 days of completion of audit work **– 100%**
- 100% draft reports to be issued within 10 working days of closure meeting – **100%**
- 100% of all high priority actions are implemented at follow up – **100%**
- All no and limited assurance reports have a revised assurance rating of substantial or reasonable on follow up – **100%**
- Achieve an average customer satisfaction score of 4 or more **– 100% (2 out 4 issued)**
- Added value – **None quantifiable**

APPENDIX 01: SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
Core Financial Systems	Creditors (SR1)	Risk based review covering the adequacy and effectiveness of controls around creditor payment systems and credit cards	Q3	Fieldwork fully completed with closing meeting. Draft report issued to management on 4 January 2024 for comment.	
	Payroll (SR1)	Risk based review of Payroll including assurance over the adequacy of controls around maintenance of systems, approval for payment and database management to ensure payments are correctly made.	Q2	Audit brief discussed during August 2023 with a proposed start date for January 2024.	
	Accounting & Budgetary Control (SR1)	Risk based review of the adequacy of controls surrounding accountancy and budgetary control arrangements across the council.	Q2	Fieldwork fully completed with closing meetings arranged. Draft report issued to management and further meeting requested to discuss findings.	
	Major Projects (SR1, SR3, SR4)	Risk based review to ensure that major projects are run in line with best practice, financial arrangements are robust and project management protocols and controls maintained.	Q1	Audit work commenced and fieldwork being undertaken.	
	Housing & Council Tax Benefit	Risk based review of the adequacy of controls surrounding awarding of Housing & Council Tax Benefits to ensure with the correct assessment and awarding of benefit. Deferred from 2022/23.	Q2	Audit work commenced and fieldwork being undertaken.	
Strategic & Operational Risks	Fees and Charges (SR1)	Risk based review of the adequacy and effectiveness of the controls in place to Ensure that fees and charges are regularly reviewed, updated and charged correctly.	Q1	Audit work commenced and fieldwork being undertaken.	

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	Taxi Licences (SR4)	Risk based review to ensure licencing arrangements are effectively controlled.	Q4	Audit brief discussed and finalised in August 2023 with a start date in February 2024. Timing of the audit to be discussed with management with potential deferral to 2024/25.	
	Property Lease and Charges (SR2, SR4)	Risk based review regarding Property Leases and Charges to ensure that lease income is maximised and controls are effectively being implemented and operated.	Q2	Fieldwork commenced and in progress.	
	Strategic Housing (SR2, SR3, SR4, SR5)	A review of Strategic Housing to ensure effective management arrangements in place.	Q2	Allocated to be progressed Q4. Timing of audit to be discussed with management with deferral to 2024/25.	
	LA Trading Company (SR1, SR2, SR3, SR4, SR5	A review of the governance arrangement sand structures in place.	Q3	Fieldwork fully completed and findings discussed with management. Draft report to be issued to management for comment.	
	Public Open Spaces – sale (SR1, SR5	A review of council's arrangements for the management of public open spaces and disposal.	Q4	Fieldwork commenced and ongoing.	
	Data Breach Management – DPO (SR4, SR7)	A review of data breach management arrangements.	Q3	Allocated to be progressed Q4. Terms of Reference in process of being approved.	
	Development Management Performance	Risk based review of Development Management Performance to include system based review of new systems.	Q2 2023/24	Audit brief discussed during June 2023. Deferred to 2024/25 due to departmental restructure.	
	Strategic Risk Register	Risk based review of the adequacy and effectiveness of the controls in place to mitigate the Council's strategic risks.	Q4	Allocated to be progressed Q4.	
ICT	IT Structure and Strategy (SR7)	Risk Based review on Council's IT Structure and Strategy	Q1 – Q4	Allocated to IT Auditor	
ICT	PCI DSS (SR7)	Assurance review of PCI DSS compliance deferred from 2022/23.	Q1 – Q4	The council take card payments in a number of service areas and hence there is an obligation to comply with PCI DSS requirements. Card payments are taken online via the corporate website, over	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				the telephone by Customer Services and at various locations using Chip & Pin payment devices. A project has recently been started to achieve PCI compliance and it is being supported by an external consultancy with expertise in this area. There is an action plan of the key tasks required for PCI compliance and a review of the timeline suggests that compliance can be achieved by 30th September 2023. A formal PCI Compliance Policy has been drafted and one of the other major achievements is the implementation of a PCI compliant system for taking telephone payments in Customer Services. The key tasks that remain outstanding are: • Confirming corporate roles and responsibilities for PCI compliance, including the corporate lead officer; • Identifying all merchant activities and defining the scope of the PCI environment; • Confirming the PCI compliance status of third-party systems and service providers; • Completing a PCI Self-Assessment Questionnaire, which is an annual requirement; • Verifying the PCI compliance status of all PIN transaction security devices; • Providing PCI training to all staff who process card payments; and • Agreeing a security scanning strategy and remediating the critical/high risk vulnerabilities from the last scan in October 2022.	Limited Assurance H-4 M-3 L-1

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
ICT	Business Systems (SR7)	Risk Based review of Business systems and data migration following implementation of new financial systems.	Q1 – Q4	The Civica Financials system uses single sign-on (SSO) for user authentication and access is only available from the Lichfield DC network. SSO requires all users to have an account on the Civica domain which is linked to their account on the Civica system. Users are authenticated when they login to the corporate network and a secondary login to the Civica system is not required. All users have a unique account on the system. Members of the finance team have full access to relevant modules and users outside finance generally have read-only access. The access of the finance team should be restricted to reflect individual roles, although it is accepted that the small size of teams means some users will need to have a higher level of access for cover purposes. User access rights should also be documented and subject to a formal annual review. System administrator access is limited to three members of the finance team and staff from Civica, who require it for support purposes. As system administrators have operational responsibilities in finance, there is a risk of fraud or other misuse and this should be formally acknowledged and monitored via the finance risk register. The staff from Civica with system administrator access were confirmed in June 2022 and a number of their accounts were disabled as they no longer required access. This review should be performed annually and, in addition, their accounts should only be activated when they are required for support and kept disabled at all other times. New user accounts for the finance team should also be formally authorised before being created.	 Limited Assurance H-2 M-4 L-5

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				No details were available on the level of system auditing in place and on audit reports. Hence, there is a risk that changes to the system/data cannot be attributed to specific users. As the system is cloud based, the supplier is responsible for taking backups of data and for ensuring the system is protected against cyber-attacks. There is no hosting agreement, or equivalent, to provide assurance over these key areas. System support and maintenance is in place and all support calls are logged on the supplier portal. Whilst there are only a small number of logged tickets, one of them has not been updated since 2022 and hence they should be kept under review to ensure the supplier is meeting service level targets. Confirmation should also be sought from the supplier that software licensing conditions are being met. The first major upgrade to the system since it went live is being planned. Whilst there is evidence of testing being undertaken for a previous upgrade that was cancelled, there are no formal change control procedures in place.	
ICT	IT Incident Management (SR7)	Risk based of Council's IT Incident Management and arrangements for maintenance of systems and recovery.	Q1 – Q4	The ICT team were responsible for all procedures relating to IT incident management up until March 2023. At this time, following staff changes within ICT and a review of services, a third-party supplier, RazorBlue, were engaged to provide first line support services. This includes operating a service desk for users to report incidents and service	 Reasonable Assurance H-0 M-4 L-2

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				requests. The contract with RazorBlue ends in January 2024, although there is an option to extend for a further three months, at which time a decision will have to be made on the future of the service. Second line support services continue to be provided by the in-house ICT team. The appointment of RazorBlue means there are two service desk systems in operation. One is their system used for first line support and the other is the existing ICT service desk used by the in-house team for tickets that are passed to them for resolution. Running incident management on two systems that are not fully compatible is inefficient and should be addressed. RazorBlue's service standards are documented and available on the Intranet. All incidents are prioritised into one of four categories and each has a stipulated response time. Support calls that are passed to the in-house ICT team for resolution do not have an agreed service level and consequently the performance of the team cannot be measured. These calls are also logged under a default category instead of one that reflects the type of incident/service request so that it is more meaningful and can be reported against. RazorBlue have documented and shared their escalation plan. The Interim ICT Manager confirmed he has not had to escalate any incident beyond the service desk. A review of the in-house service desk system identified a number of open tickets from March-	

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				July 2023 that have not been updated. All open tickets should be subject to periodic review to ensure they are being progressed. This includes tickets on the RazorBlue service desk. RazorBlue issue a monthly service report which includes various statistics to allow the performance of their service to be assessed. A new Trend Analysis report has also recently been made available. Users have an opportunity to provide feedback on the service they receive when their cases are closed and details of feedback are included in the service report.	
Governance, Fraud & Other Assurance	Disabled Facilities Grant	Assurance statement	Q3	Work completed.	No assurance opinion required
	Assurance work	Assurance work on grants	Q1 – Q4		
	Housing Benefit Memorandum of Understanding	Assurance statement to enable the Chief Finance Officer sign off to DWP.	Q4		
	Counter Fraud	Work to support the mitigation of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	Q1-Q4	Ongoing	
	Annual Audit Opinion	Production of the Annual Audit Opinion.	Q2		
	Management and Planning	Management, planning and assurance reporting to Leadership Team and Audit & Member Standards Committee.	Q1-Q4	Ongoing	
	Ad hoc / Consultancy	Contingency allocation to be utilised	Q1-Q4	Ongoing	

APPENDIX 1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
	/ Contingency	upon agreement of the Chief Finance Officer.			
	Risk Management	Supporting the Council's risk management systems.	Q1-Q4	In progress and continuing, see Risk Management report at this Committee.	
	NFI	Compliance with and review of data matches	Q1-Q4	In progress	
Additional Assurance Reviews requested by management	DWP Searchlight	Assurance review	Q1	Final Report issued.	 Limited Assurance H-9 M-1 L-0
22/23 Planned Audits finalised	Agency Staff	Risk based review of controls in place for use of agency staff	Q4 2022/23	Draft report issued. The Agency staff system is not designed with controls in place to mitigate the major risks. Appointment of agency staff is completed by the department. The choice of agency will be based on the availability of staff, pay rates or prior successful engagements. Where responsibility is held for completing the recruitment screening checks is uncertain. Verification checks undertaken will vary between agencies and will be specified in the agency terms and conditions. This would include checks on qualifications, right to work, references, medical clearance etc. HR are not informed of the recruitment of agency staff and there is no corporate process to advise on the recruitment of agency workers and the checks required. Staff are inducted by the Manager and inductions are role specific. There is no corporate induction for agency staff and agency staff are not consistently inducted on corporate policies or the council's code of conduct for employees. Corporate e-learning is undertaken by those with	 Limited Assurance H-1 M-5 L-1

Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				access to the IT system and the Learning Hub. Testing confirmed for the 3 agency staff with access to the IT system, training through the Learning Hub had only been completed by one staff member. Other training is specific to the role. The working hours is specified in the agency contract/booking confirmation and is monitored by the Manager. Testing noted that two from six contracts/ booking confirmations could not be located. Agency fees are paid on receipt of a timesheet and an invoice. Testing noted that invoices are approved by the Manager prior to payment. Agency staff's performance is monitored through 1:1 meetings, team meetings and monitoring workload. At the time of the audit, only agency staff working at the depot had been subsequently transferred to permanent. The Council's new starter process had been followed. Personal information had been obtained, references, right to work checks and medical clearance. An induction had been completed at the depot which included reference to the code of conduct for employees. A regular training and monitoring program is in place, with staff subject to a six month probation period. For both permanent employees, the Objectives and Key Results (OKR'S) were on file.	
	Elections	Risk based review of elections processes and in particular financial returns.	Q1	Draft report issued awaiting finalisation by management.	
	Being a Better Council	Risk based review.	Q4 2022/23	We have reached the overall opinion that the Council had substantial project management controls to support the BABC programme. The BABC Programme Governance Model was well structured; roles, schedules, accountabilities of the governance groups/boards were clearly defined.	 Substantial Assurance H -0 M – 0 L - 1

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Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				However, the Programme Board held two meetings without the appropriate quorum.	
	S106	Risk based review.	Q4 2022/23	We have reached the overall opinion that the Council has Limited controls to support the monitoring of Section 106 agreement trigger points and the spending of the funds. Section 106 contributions were often received significantly later than when the trigger point has been met as developers did not proactively inform the Council and sites are only visited annually to ascertain their progress. Similarly, there were some instances, specifically relating to the Cannock Chase Special Area of Conservation (CCSAC), where the Council had not obtained evidence from Stafford Borough Council, who are financially responsible for expenditure on projects by the CCSAC Partnership, that the contributions had been spent in accordance with the agreement. However, alternative project documentation has been provided to the Council and monthly officer meetings are held where issues and updates and projects are discussed. Joint Strategic Board meetings with officer and elected member attendance are held where necessary, where decision making for spending is undertaken. The performance of Section 106 allocations and collection of contributions was not monitored frequently, with the full SIG having not met since June 2022. These issues have been driven by a significant reduction in resources following a Council restructure and staff leaving the Spatial Policy and Delivery Team, with some roles remaining vacant while a further restructure of the team takes place.	 Limited Assurance H - 3 M – 0 L - 1

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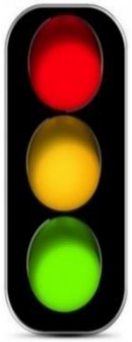
Assurance	Audit	Scope	Planned Quarter	Assurance Summary	Assurance Opinion
				While significant issues were identified, the Council's Exacom system retained adequate records for each contribution, including notification for when it was due to be spent by and, in some instances, the evidence of the spend. Additionally, despite limited resources, the Spatial Policy and Delivery Officer is taking steps, such as periodic emails to developers to ascertain whether trigger points have been met.	
Follow up all no and limited assurance reports and all high priority recommendations.	Data Protection/ GDPR	Risk Based review on Council's Data Protection and GDPR compliance	Q1	Follow up allocated and completed during Q1. To be finalised with management.	 Substantial Assurance H - 0 M – 3 L - 0

ASSURANCE AND RECOMMENDATION CLASSIFICATIONS

Overall Audit Assurance Opinion	Definition
Substantial	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are some weaknesses which may put the organisation's objectives in this area at risk. There is a low level of non-compliance with some of the control processes applied.
Limited	Weaknesses in the system of internal controls are such as to put the organisation's objectives in this area at risk. There is a moderate level of non-compliance with some of the control processes applied.
No	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

Priority	Definition
	High priority recommendation representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
	Medium priority recommendation representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
	Low priority (housekeeping) recommendation highlighted opportunities to implement a good or better practice, to add value, improve efficiency or further reduce the organisation's exposure to risk.

APPENDIX 1

Audit	Year	Recommendation	Current Status
Epayments	2016/17	The relevant PCI Self Assessment Questionnaire (SAQ) should be completed and submitted to the sponsoring bank.	- Currently outstanding and being addressed. - PCI DSS Audit in 2023/24 - Implementation of Call Secure Plus January 2023 - Additional and transformational IT support December 2022 - IT Action Plan implemented - PCI Policy to be reviewed **Internal Audit to complete a full follow up review during Q1 2023/24, PCI DSS audit completed with Limited Assurance**
Property Leases and Charges	2019/20	It should be investigated whether the leases identified were finalised and if there is a signed copy.	- The Property Team are reviewing all leases to be completed April 2023 - Review of PPM compliance for tenants - Review of unsigned leases **Internal Audit to complete a full review of Property Leases and Charges during 2023/24.**
Property Leases and Charges	2019/20	Rent Reviews should be completed on time. The findings of the review should be communicated with the Corporate Debt Recovery team and evidence should be retained to support the change in rent charged.	- Rent Reviews dates are all marked on the asset register and take place on time - Scheduled reviews being undertaken - Liaison with debt recovery team on rent increases and outstanding debts **Internal Audit to complete a full review of Property Leases and Charges during 2023/24.**
IT System Security	2022/23	A formal RAP should be developed and managed for the quarterly security vulnerability scans and the RAP for the current ITHC should be managed through to full implementation. Where a vulnerability cannot be addressed, the risk should be documented and signed off by the SIRO.	31st January 2023 **Scheduled for follow up in 2023/24.**
IT System Security	2022/23	All accounts in the Windows Domain Admins group, including nested groups, should be reviewed and access revoked where it is not required.	31st January 2023 **Scheduled for follow up in 2023/24**
IT Disaster Recovery	2022/23	Scenario testing of the ICT Business Continuity Plan should be carried out at least annually.	31 March 2023 **Internal Audit to complete a full follow up review during 2023/24**
Climate Change	2022/23	The Action Plan should be reviewed quarterly by Cabinet or the Overview & Scrutiny Committee with lead officers being amended to reflect staff changes at the Council.	30th September 2023 **Internal Audit to complete a full follow up review during 2023/24.**

Climate Change	2022/23	The Council should establish a cross-departmental working group to meet at least monthly oversee joint arrangements for reducing carbon emissions. It should also be used as an opportunity for departments to identify areas where they can cooperate to reduce carbon emissions.	31st May 2023 **Internal Audit to complete a full follow up review during 2023/24.**
Climate Change	2022/23	a) The Ecology & Climate Change Manager should contact the Finance team to obtain contact information for a member of the Finance team to support them on the management of the climate change budget. b) The Council should allocate funds from the climate change budget to specific projects. Where possible, these projects should measure the carbon emission reduction to demonstrate how the project will contribute to the achievement of the success measures in the Organisational Carbon Reduction Plan. Projects should be identified and discussed through a cross-departmental working group (see Finding 2).	31st July 2023 **Internal Audit to complete a full follow up review during 2023/24.**
Strategic Risk Register	2022/23	The Council is not PSN compliant. Action is being taken to address Payment Card Industry Compliance which when complete will progress the PSN certificate.	31st August 2023 **Scheduled for follow up in 2023/24**
LWMTS Searchlight	2023/24	9 recommendations raised at the conclusion of the audit and circulated to all members of the Committee.	All recommendations with implementation date of 31 July 2023 **Internal Audit to complete a full follow up review during 2023/24.**
S106	2022/23	The Council's Section 106 agreements are managed and monitored by the Spatial Policy and Delivery Team, and principally a Spatial Policy and Delivery Officer. The team are supported by the Finance Team on monitoring spend when requested. In 2022 the Council had a restructure, resulting in staff leaving the Spatial Policy and Delivery Team reducing the resources from eight officers to three officers. The number of positions has been reduced to six, but two roles remain vacant while the structure of the team is finalised. Some of these roles had been vacant since January 2022 and not been filled due to the restructure. Throughout our review, in findings 2-4 of this report, we identified gaps in the management and monitoring of Section 106 agreements, resulting in contributions not being collected and spent to alleviate the impacts of large developments.	31 October 2023 **Internal Audit to complete a full follow up review during 2023/24.**

S106	2022/23	Section 106 agreements are established with developers to provide funding for community infrastructure and services, to alleviate the increase in demand driven by the development. All contributions in the agreements are payable by developers to the Council when a trigger point is reached. For instance, the trigger point for a contribution could be met when the first dwelling on the site is occupied. While the Council are reliant on developers informing it when trigger points have been met, quarterly site visits are undertaken by the Spatial Policy and Delivery Team to verify the development stage and determine if trigger points have been met. Once trigger points have been met, an invoice is issued to the developer for the contribution. However, due to a reduction in the Spatial Policy and Delivery Team's resources site visits have fallen to once a year, placing a higher reliance on the developer's notification of the trigger points being met. We were informed that developers do not tend to pro-actively inform the Council that a trigger point has been met. The Council does periodically email developers to enquire whether trigger points have been met. We reviewed contributions from 10 Section 106 agreements and found: • There were six instances where the contributions totalled £216,297 where the developer did not notify the Council that the trigger point had been met. Therefore, contributions were received late. While we are unable to verify the time gap between the trigger point being met and receipt of the contributions (as the Council were not notified of it), there appears to be a significant delay in these cases. For example, there was one instance where a contribution of £150,000 for a developer to support the enhancement of biodiversity across the Council's jurisdiction was due to be paid at the start of construction but was not received until the construction had been completed due to a lack of monitoring.	31 December 2023 **Internal Audit to complete a full follow up review during 2023/24.**
S106	2022/23	The Spatial Policy and Delivery Team report to the SIG who as part of their remit provide oversight and scrutiny on the allocation and spend of Section 106 monies. The SIG's membership includes officers from the Council's Development Management Team, Finance Team, Housing and Leisure Team, and the Spatial Policy and Delivery Team, plus two officers from Staffordshire County Council. However, the full group of SIG members have not met since June 2022 as the Chair of the SIG and several other members have left the Council.	31 October 2023 **Internal Audit to complete a full follow up review during 2023/24.**

PCI DSS	2022/23	The Interim ICT Manager has an informal list of merchant activities but it has not been validated by Finance. Once validated, it can be used to confirm the scope of the PCI environment in terms of people, processes and technology.	31 January 2024 **Internal Audit to complete a full follow up review during 2023/24.**
PCI DSS	2022/23	The following compliance activities have not been performed: • Completion of a PCI DSS Self- Assessment Questionnaire (SAQ) and Attestation of Compliance (AoC). There are a number of different SAQ's and the right one depends on merchant activities; • Confirmation that all third-party systems and services within the PCI scope are PCI compliant; and • All PIN Transaction Security (PTS) devices are compliant with the PCI PTS standard. These activities are included on the PCI action plan.	31 January 2024 **Internal Audit to complete a full follow up review during 2023/24.**
PCI DSS	2022/23	Staff who process card payments have not been provided with any training on their responsibilities for safeguarding cardholder data. A PCI training course is available on the on-line training platform and has been identified for staff. A review of the course found that it covers PCI requirements and risks of non-compliance but does not cover staff roles and responsibilities.	31 January 2024 **Internal Audit to complete a full follow up review during 2023/24.**
PCI DSS	2022/23	PCI requires annual security penetration testing and quarterly internal and external vulnerability scans by an Approved Scanning Vendor (ASV). The actual requirements are dependent on the relevant SAQ as per recommendation 4.	31 January 2024 **Internal Audit to complete a full follow up review during 2023/24.**
Civica	2023/24	Confirmation should be sought from the supplier on what transactional activity and changes are being audited, availability of audit reports and the retention of audit logs.	31 March 2024 **Internal Audit to complete a full follow up review during 2023/24.**
Civica	2023/24	A cloud hosting agreement, or equivalent, that covers the areas highlighted should be requested from the supplier. Confirmation of any security certifications held by the supplier should also be requested to ensure they are still valid.	2 November 2024 **Internal Audit to complete a full follow up review during 2023/24.**

Appendix 2

External Quality Assessment Action Plan

	Priority	Issue Identified	Recommended Action	Management response	Officer responsible/ timescale	Status
1.	Review	**Internal Audit Charter (IAC)** The IAC is comprehensive regarding engagement reports however does not contain details of the requirement for the Chief Audit Executive (CAE) to deliver an Annual Report including an opinion in relation to risk management, governance and control.	Include an appropriate statement in the Internal Charter with regard to the provision of an Annual Report and align this with regard to the benefit of aligning the internal audit planning process with a continuous assessment of the risk environment faced by each client, in order to support the provision of the annual opinion regarding risk management, governance and control. . **PSIAS 1000**	Agreed. To be implemented via a review of Internal Audit Charters for 2023/24. This will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.	Audit Manager May 2023	Completed as part of the Internal Audit Charter update for 2023/24
2.	Review	**Performance appraisal** The self-assessment identified that the CAE's appraisal which is undertaken by the Chief Executive at Tamworth Borough Council (TBC) has not taken place. A new appraisal process is to be introduced at Lichfield District Council (LDC). .	Ensure that a robust performance appraisal process is in place within the Internal Audit Team With regard to the Audit Manager consider Inviting observations from both Chairs of Audit Committee in advance of the performance appraisal, as this would provide valuable client feedback and reflect best practice. **PSIAS 1110**	Agreed. Ongoing review of Audit Manager performance maintained by Chief Executive at Tamworth BC and both Section 151 Officers. Discussions to agree further approach.	Audit Manager March 2024	Complete

3.	Consider	**Declarations of interest** Each Council has adopted different practices regarding the protocol for declarations or conflicts of interest. Due to the independent nature of internal audit work it would be beneficial for internal audit staff and any contractors to confirm the position on an annual basis.	The CAE should obtain confirmation regarding potential conflicts of interest on 1 April each year and on appointment of any further staff or contractors undertaking internal audit engagements at the Councils. **PSIAS 1100**	Agreed Previous declarations of interest have been recorded but only updated if changes have occurred. However to comply with best practice will implemented annual reviews.	Audit Manager April 2023	Completed Confirmation received from external contractors of compliance with standards. Staff members completed declarations of interest for 2023/24.
4.	Review	**Audit Universe** The current internal audit planning model reflects use of a "standard audit universe' to which a cyclical approach to reviewing areas of activity is applied in consultation with management. This is provided for in circumstances where the client risk management system cannot be relied upon. Internal Audits of risk management have provided positive opinions in relation to their application and as a result it would be beneficia therefore to increasing align the focus of strategic and engagement planning with each clients risk environment as this would enhance internal audits' ability to demonstrate a	The development of a comprehensive internal audit plan that reflects the significant risks that are recorded within each Councils risk management system represents an essential feature of both strategic and operational internal audit planning as it acts as a basis for both ensuring attention on significant risks on a priority basis as well as providing an indication of the resources required to provide continuous independent assurance. Internal Audit works with each client manager at the time of an engagement to identify significant risks; it would be opportune to increasingly recognise and promote the value of 'Control Risk' at an operational level and transparently integrate this within the planning	Agreed Review of current audit universes at both Tamworth and Lichfield. Change of current working practices to develop the auditing of control risks and linking into strategic and operational risk registers are both authorities. To be supported by the current reviews of Strategic Risk Registers which looks at mitigating controls. Additionally, this will improve wider	Audit Manager March 2024	Completed Ongoing progress started with 2023/24 Audit Plan and will be developed moving forward during the financial year to be fully implemented and included in plan for 2024/25

		commitment to helping each Council achieve its objectives. It may be beneficial to consider the content of each clients risk management process as the Audit Universe in future.	process, identifying sources of assurance as a matter of routine. It would be beneficial therefore to increasingly align development of the internal audit planning system with each Councils risk management processes in order to ensure that resources are consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level. It may be that such an approach would also help embed effective risk management within each clients governance processes. **PSIAS 2000/2010**	outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.		
5.	Consider	**Purpose of the system subject to review** Audit Planning Memorandum currently contains a statement which reflects the 'Management Objective' of the area subject to review. Whilst the terminology is correct statements tend to focus on a generic statement regarding the internal control environment rather than focusing on what management are aiming to achieve, in accordance with Public Sector	The inclusion of a Management Objective is regarded as good practice however it may be beneficial to increasingly capture the specific aims of management in each review to which can be aligned the significant risks being faced within the area under review . This will assist with the discussions with client managers and specifically the identification of the significant risks which may impact upon achievement of the established objectives and upon which the assurance opinion should be based.	Agreed Audit Planning and pre-meetings will incorporate aims of management in the Audit Brief.	Audit Manager April 2023	Complete - Audit Planning and pre-meetings to include aims of the service in the planning document.

		Internal Audit Standards (PSIAS) requirements, which recognise the value of focusing on operational management objectives.	The significant risks may be all or some of those identified with the risk management process as well as others recognised at the time of audit. **PSIAS 2201**			
6.	Consider	**Recognition of identified key controls** The current risk management methodologies require identification of the primary controls which exist as well as the further mitigating controls which are to be developed. These are likely to represent the key controls upon which the audit should be based, as they represent 'Control Risk' and the implications should a failure of controls occur.	It would be beneficial to increasingly focus on what is regarded as a 'significant risk' within each Councils risk management processes and the associated primary controls as this would increase efficiency through allocating appropriate resources to those areas of most concern. There is limited feedback from the client survey which indicates that the Shared Service might provide increased focus on significant risk and introducing advice best practice within the audit approach and these may be areas where increased understanding of risk throughout the process may produce results which are regarded as adding value by clients. **PSIAS 2010**	Agreed. To be developed over 2023/24 towards full implementation. This will improve wider outcomes in the Council so that the audit plan is more focussed on ensuring strategic/operational risks are mitigated to provide assurance.	Audit Manager March 2024	Complete Ongoing work in this area to link into the strategic and operational risks of the council started with SRR and Risk linkages in 2023/24 Audit Plans for both authorities.
7.	Review	**Consideration of Fraud** The Team maintain a Fraud Risk Register demonstrating compliance with the standards regarding the recognition of potential fraud, however this is	Ensure that the areas reviewed within an engagement include those where potentially significant fraud risks exist. **PSIAS 2030**	Agreed. As part of annual review of Fraud Risks and reported to respective	Audit Manager October 2023	Complete Ongoing to be developed and included following

		not directly considered when scoping engagements.		Committees at Tamworth and Lichfield.		review of fraud risks as part of the council reporting arrangements.
8.	Review	**Quality Improvement Assurance Policy** The service has introduced a Quality Improvement Assurance Policy (QIAP) in accordance with the requirements of the standards. The policy focuses on consistent internal review of engagements, an annual assessment against the standards and the External Quality Assessment (EQA) review on a five year cycle. The Head of Internal Audit's Annual report confirms that aspects of the policy have been completed in a diagrammatic presentation. Industry best practice now reflects an extension of the quality review process to include consideration of wider performance in the form of KPI's, resources, skills and training requirements.	It would be beneficial to update the policy in line with best practice and as required confirm annually that all measures have operated during the year as well as summarise any outcomes influencing future development of the service within the Head of Internal audit's Annual Report. **PSIAS 1300**	Agreed. QIAP to be reviewed at both Councils and implemented. Changes to be incorporated into the QIAP for 2023/2024.	Audit Manager July 2023	Complete QAIP updated in accordance with standards and presented as part of updated QAIP for 2023/24.
9.	Review	**Governance** The standards require the CAE to provide an annual opinion	In Local Government, each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to map internal	Agreed. To be implemented as part of AGS for	Audit Manager March 2024	Ongoing progress in this area, assurance

		regarding the effectiveness of governance arrangements. Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.	audit activity to the content of the Code in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report. **PSIAS 2110**	2022/2023 and ongoing development. To be linked with Monitoring Officer at LDC and internally within TBC.		mapping to be completed.
10.	Review	**Risk Management** Internal Audit last reviewed risk management as an assignment in TBC (March 2021) and LDC (March 2022) providing a 'Reasonable' assurance opinion.	The standards require an annual opinion to be made in the Head of Internal Audit's Annual Report regarding the adequacy and effectiveness of each Councils risk management processes. It would therefore be beneficial to support the opinion with evidence of how this has been reached through a combination of the assurances gained at both a strategic level and at an operational level within engagements. It would be beneficial to document in this approach how any potential conflict of interest with regard to the Audit Manager and Principal Auditor's roles relating to risk management is managed. **PSIAS 2120**	Agreed To be implemented as part of Annual Internal Audit Reports submitted to each Council Audit Committees.	Audit Manager April 2023	Ongoing, review of Risk Management to be completed at TBC in 2023/24, audit scheduled for Q4.
11.	Consider	**Head of Internal Audit Annual Opinion** The current statement is largely based upon the work completed in the current financial year.	In practice, the opinion is actually based upon the continuous thread or trend of assurance work completed in recent years as a result of the focus of internal audit plans, the wider knowledge of significant risks and the	Agreed. Updating of audit opinion for new financial year 2023/24	Audit Manager. April 2023	Complete to be included in Annual Report to be presented to A&G

		Best practice reflects using a wider basis for the opinion reflecting the full knowledge of the CAE including significant risks which each client is facing and information from other assurance sources.	various sources of assurance that exist, including the risk management processes. Future opinions should state the full basis upon which the opinion has been reached. **PSIAS 2450**			Committee in June 2023.
12.	Consider	**Internal Audit Risk Based Strategy** The teams approach to assessment of the perceived risk at inherent and residual levels within an engagement is reflected in the grading of recommendations and opinions which are then used in reporting. Audit Engagement Plans and Reports contain an explanation of how the Internal Audit Team relate the level of risk evaluation to the conduct of the audit. It would be beneficial to ensure that the wording used is consistent with risk management terminology used by each client. PSIAS guidance emphasises that the focus of internal audit should be on 'significant' risk.	Consider reviewing the wording of definitions that support the grading of recommendations and opinions to better reflect risk appetite of each client. Particular attention should be given to the use of wording such as Fundamental and Significant. Within engagement reports this would then link to alignment of assurance opinions where fundamental or a series of significant recommendations automatically generated a 'Limited Assurance' opinion. Consider whether maintained a fourth level of assurance (being no assurance) is necessary. **PSIAS 2420**	Agreed. In conjunction with further reviews of wording and audit opinion, to be carried out in conjunction with these reviews.	Audit Manager December 2023	Completed

Suggested Enhancements for consideration

	Issue Identified	Recommended Action	Management response	Officer responsible/ timescale	Status
1.	**Job descriptions** Current job descriptions are in a consistent form abut are not routinely reviewed as part of the PDR process..	Best practice reflects regular update of job descriptions, it may be beneficial to review all job descriptions at the same time to ensure that any inter-dependencies are fully reflected, particularly as the two currently vacant posts are advertised **PSIAS 1210**	Agreed Review of job Descriptions to be undertaken.	Audit Manager. April 2023	Complete
2.	**Client surveys** Progress has been made in obtaining feedback from auditees following each audit through discussions with client managers and within the annual planning process. Current completion reflects 66% TBC and 82% LDC. This provides informal confirmation from clients regarding the Teams ability to deliver upon its responsibilities and particularly add value.	Internal Audit may find it useful to utilise Survey Monkey or similar technology for collecting feedback and capture similar feedback in relation to each contractors performance, as this can prove to be an efficient means of gathering an early response. Feedback should be included as part of the QAIP process. **PSIAS 2000**	Agreed. Will review the possibility and functionality of Survey Monkey and determine a way forward.	Audit Manager April 2023	Ongoing review to ascertain best systems going forward. Completed and determined that current paper based questionnaire was retained.

3.	**Contract support** A contract is in place with each contractor which states that delivery of services should comply with the PSIAS.	In order to evidence that the Shared Service is compliant in overall terms it would be helpful if each contractor were requested to provide evidence that their work had been independently assessed in accordance with the PSIAS. **PSIAS 1312**	Agreed	Audit Manager	Complete
4.	**Key Performance Indicators** Completion of the Internal Audit Plan is regarded as the current focus of performance monitoring, although other indicators based on recommendations and opinions made in the year are recorded in the Head of Internal Audit's Annual Report. Good practice elsewhere utilises a range of quantitative and qualitative measures to demonstrate performance against the Internal Audit Charter.	Consideration could be given to devising a more comprehensive list of indicators and a summary of client feedback received. This may include: • Reports issued to agreed timescales • Recommendations accepted/not accepted by risk rating • Recommendations acted upon in a timely manner • Client satisfaction • Staffing levels and qualifications • Planned training completed **PSIAS 1310**	Agreed Will review current KPI's and in conjunction with client managers determine a suite of KPI's for Internal Audit.	Audit Manager March 2024	Ongoing, to be reviewed and considered for 2024/25.
5.	**Training** The Internal Audit Team has developed a comprehensive training and skills matrix which includes reference to mandatory requirements although this has not been maintained. As the internal audit planning process devises a forward looking three year plan it would	Consider the benefits of using the priorities included in internal audit plans to identify potential courses or seminars which may provide increased understanding of the risk environment that will be reviewed. Ensure that training records are maintained and used to inform the QAIP. **PSIAS 1210**	Agreed Review training and implement as determined by the knowledge and experience of auditors.	Audit Manager March 2024	Ongoing CPD requirements and training opportunities in place. Maintenance of training records to be updated.

	be beneficial to consider the future training needs of internal audit staff and include these in future resource planning.				Training records now documented and retained. Complete.
6.	**Internal Audit Manual** The Team has compiled an Internal Audit Manual which was last reviewed in December 2022.	Following completion of the EQA, consider revising the Manual to fully reflect current practice rather than generic example as this will assist when training new staff. It may be useful to include the Internal Audit Protocol document within the Manual as this represents an excellent way of explaining the internal audit process to all stakeholder **PSIAS 2030**	Agreed. Implement changes as suggested.	Audit Manager March 2023	Complete Ongoing review of manual to bring into line with best practice.

Data Protection Policy and UK GDPR Update

Lichfield district council

Audit and Member Standards Committee

Date:	1st February 2024
Agenda Item:	
Contact Officer:	Ian Edwards - Interim ICT Manager, Colin Cooke – Data Protection Officer
Tel Number:	01543 308092
Email:	Ian.edwards@lichfielddc.gov.uk
Key Decision?	**No**
Local Ward Members	**N/A**

1. Executive Summary

1.1 This report seeks to update the Data Protection Policy.

2. Recommendations

2.1 To approve the updated Data Protection Policy to meet (UK GDPR) regulations as set out in Appendix A (changes highlighted in yellow).

3. Background

3.1 The council is fully committed to complying with the requirements of the General Data Protection Regulations and the Data Protection Act (2018).

3.2 This policy was approved in November 2022 and was due to be reviewed again in November 2024. However an interim review has been undertaken to ensure that latest best practice is reflected in the policy. Minor changes have been made with the aim of strengthening the policy, changes are highlighted in yellow throughout, with comments where relevant.

Alternative Options	None, the council must comply with these regulations.

Consultation	We have ongoing support from South Staffordshire District Council legal team regarding current advice and guidance and a strong auditor who specialises in this area to highlight areas for development.

Financial Implications	None
Approved by Section 151 Officer	Yes

Legal Implications	None, however, non-compliance with GDPR has serious legal implications.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	Data protection contributes to the sound running of the council.

Equality, Diversity and Human Rights Implications	None

Crime & Safety Issues	None
Environmental Impact (including Climate Change and Biodiversity).	None

GDPR / Privacy Impact Assessment	Not required for this report. This policy ensures ongoing compliance and the processes to underpin such assessments.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Legal challenge if no process is in place	R	Ensure process is in place and regularly reviewed.	Green Likelihood – low / Impact -low
B	Assurance of processes in place	R	Issues highlighted in the audits are addressed.	Green Likelihood-low/ Impact -low
C	Data Protection Officer capacity to develop and improve processes	R	DPO appointed and action plan in place.	Green Likelihood – low/ impact - low
D	Ongoing development of processes and practice during transformation work	R	Clear plan for digital transformation developed and regular review/compliance checks by DPO.	Green Likelihood – low/ impact - low
E	Data Protection Policy no longer fit for purpose	R	Regular review of the policy and updated guidance	Green Likelihood – low/ impact - low

	Background documents Any previous reports or decisions linked to this item

	Relevant web links Any links for background information which may be useful to understand the context of the report

Appendix A

Data Protection Policy
January 2024

Approved by:	**Leadership Team**
Approval date:	
Approved by:	**Audit & Member Standards**
Approval date:	
Author/owner:	**Colin Cooke, Data Protection Officer**
Review frequency:	**2 Years**
Next review date:	**January 2026**
Location:	**ICT**

Introduction

Lichfield District Council is committed to complying with data protection legislation. This includes the UK version of the General Data Protection Regulation 2016, the Data Protection Act 2018 and the Privacy and Electronic Communication Regulations 2003.

As a Council we recognise that the correct and lawful treatment of people's personal data will maintain their confidence in us and will provide for successful business operations.

Further information can be found at: https://ico.org.uk/

Purpose of policy

This policy sets out the Council's approach to the handling of personal data. Protecting the confidentiality and integrity of personal data is something that the Council takes extremely seriously.

1. Scope of policy

Anyone who processes personal data on behalf of the Council must comply with this policy.

Both employees and Members **must** comply with this policy when processing personal data on the Council's behalf.

Contractors and suppliers **must** comply with this policy when processing personal data on the Council's behalf.

Compliance with this policy is **mandatory.** Related policies, procedures and guidelines are available to assist employees and Members in complying with GDPR and the new Data Protection Act.

The Data Protection Officer is responsible for overseeing this policy.

Any breach of this policy or the related policies and procedures/guidelines may result in disciplinary action or action under the Council's Officer and Member Codes of Conduct.

We primarily provide services for local communities and the people who live in them. We also collect data about people world-wide who contact us requesting information about Lichfield District Council.

In order to provide these services, we must collect and use data about the people we provide services to. Data is also collected and used where we have a statutory duty to do so.

The law (and this policy) applies to:

1) personal data processed by automated means such as computers, phones, tablets, CCTV, swipe cards etc. or,
2) (structured) personal data held in a 'relevant filing system' for example an employee's personnel file or it is intended to form part of such a file or,
3) unstructured personal data.

This policy applies to all personal data the Council processes regardless of the media on which that data is stored.

2. How this policy relates to/underpins our strategic ambitions

Once of our fundamental ambitions is to be a better council that is responsive and resident centric. This policy facilitates a unified and GDPR compliant framework for all Members and employees when managing and processing customer data. The policy highlights the Councils commitment to the correct and lawful treatment of people's personal data. The policy is publicly available and will facilitate a high level of confidence for customers whose data we collect, manage and process.

3. Policy details

3.1 Definitions

The following expressions are used in this policy:

Personal data - this is any information relating to an identified or identifiable (from information in the possession of the Council or when put together with other information the Council might reasonably access) living individual.

Special category data personal data that is about an individual's race/ethnicity, political opinions, religious or philosophical beliefs, membership of a trade union, their genetic/biometric data (if used to identify them), health information or information about their sex life or sexual orientation.

Processing includes receiving information, storing it, considering it, sharing it, destroying it etc. The Council recognises that the law applies to all processing activities.

A **processor** is a third-party individual/organisation who process personal data on the Council's behalf - to our instructions.

The Council is the **controller** of people's personal data as we determine what is collected, why and how it is used.

Data subject is the individual who is the focus of the information

Consent means any freely given, specific, informed, and unambiguous indication of a person's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.

A **data breach** means a breach of Council security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data transmitted, stored or otherwise processed.

Data Protection Officer (DPO) is the designated person within an organisation that has responsibility for ensuring 'legal' compliance with GDPR, which relates only to personal data.

Wider Leadership Team are responsible for the management of data within their service, this encompasses all service manager roles which directly report into a member of Leadership Team.

3.2 Commitment to the (General Data Protection) Principles

The Council is legally obliged to comply with data protection principles set out in the GDPR when handling your personal data. The Council **MUST**:

(a) process personal data **fairly, transparently,** and only if there is a **legal** basis to do so.

To comply employees, members, contractors, and suppliers *must* inform individuals when collecting their personal data (concisely and using clear and plain language so that they understand) of the following:

1) that the Council is the “data controller”l
2) our contact details;
3) why we are processing their information and in what way the law allows it;
4) if we [this will be rare] rely on our ‘legitimate interests’ for processing personal data we will tell them what those interests are;
5) the identity of any person/organisation to whom their personal data may be disclosed;
6) whether we intend to process their personal data outside the European Economic Area;
7) how long we will store their information, and;
8) their rights.

(b) only collect personal data for **specified, explicit and legitimate** purposes.

Employees, members, contractors, and suppliers must not further process any personal data in a manner that is **incompatible** with the original purposes.

Employees, members, contractors, and suppliers should be clear as to what the Council will do with a person’s personal data and only use it in a way they would reasonably expect.

(c) ensure that the personal data we collect is **adequate, relevant and limited** to what is **necessary** to carry out the purpose(s) it was obtained for;

Employees, members, contractors, and suppliers should think about what the Council is trying to achieve in collecting personal data.

Employees, members, contractors, and suppliers must only collect the personal data that they need to fulfil that purpose(s) and no more.

Employees, members, contractors, and suppliers must ensure that any personal data collected is adequate and relevant for the intended purpose(s).

(d) ensure that the personal data we process is **accurate** and, where necessary, **kept up to date**.

Employees, members, contractors, and suppliers must check the accuracy of any personal data at the point of collection and at regular intervals afterwards. Employees must take all reasonable steps to destroy or amend inaccurate or out-of-date personal data.

(e) keep personal data in a form that identifies individuals for **no longer than is necessary** for the purpose(s) that it was obtained.

Employees, members, contractors, and suppliers should periodically review what personal data is held and erase/destroy or anonymise that which is no longer needed.

(f) process personal data (whatever the source) in a manner that ensures **appropriate security** of the same including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technical or organisational measures. This is elaborated upon in the Council's information security policy/ procedures/guidelines.

Employees, members, contractors, and suppliers are accountable for and must be able to demonstrate that it complies with all the above principles. Employees, members, contractors, and suppliers should, always, be mindful of the need to be able to prove that processing is in accordance with the above principles.

3.3 Employee Accountability

The Council is responsible for and must be able to demonstrate that it complies with all the above principles. Employees **must** always be mindful of the need to be able to prove that processing in accordance with the above principles.

Wider Leadership Team must be able to demonstrate that their services comply with all the above principals and are able to prove that all processing within their service is in accordance with the above principles.

Any breach of this policy or the related policies, procedure or guidelines may result in disciplinary action.

3.4 Member Accountability

Members will receive, consider, and share the personal data of residents as necessary during the course of their duties. Further guidance on how to do this safely and effectively can be found from the The Local Government Association. You may also receive information about individuals as part of your role as a member of a committee or the cabinet. You may also receive information about local residents e.g. an extract of the electoral roll for the purposes of canvassing for your political party.

You **MUST** when dealing with personal data uphold the data protection principles as set out at 3.2.

Any breach of this policy or the related policies, procedures or guidelines may result in disciplinary action or action under the Member Codes of Conduct.

3.5 Legal basis for processing ordinary personal data (article 6)

The Council (through its employees) must generally process personal data **ONLY** if one or more of the following circumstances exist:-

(a) Where an individual has given valid [see above definition] **consent**;
(b) Where necessary to **perform a contract** to which the individual is a party or **to take steps** at their request prior to entering into a contract;
(c) Where processing is necessary for the Council to comply with our **legal obligations**;
(d) Where the processing is necessary to protect someone's life , this is called **vital interests**
(e) Where processing is necessary for the performance of **a task carried out in the public interest** by the Council or it is in the **exercise of official authority** vested in us;
(f) To further the Council's [this will be rare] **legitimate interests or those of a third party** except where such interests are overridden by the privacy interests of the individual who is the subject of the information especially if they are a child.

****Employees must always ensure that they have a lawful basis to process personal data on behalf of the Council *before* they process it. No single basis is 'better' or more important than the others. Employees should consider and document what basis they are processing under. If an employee is unsure as to what basis they can rely upon or indeed whether they can lawfully process personal data, then the advice of the Data Protection Officer should be sought. It is the responsibility of Wider Leadership Team to ensure their services have a documented lawful basis to process personal data on behalf of the Council *before* they process it.****

3.6 Special category personal data (article 9)

The Council (through employees) **MUST** only process this kind of information where circumstances exist such as:

a) the individual has given **explicit** consent for one or more **specified** purposes;
b) it is necessary for **employment/social security/social protection law** purposes;
c) it is necessary in relation to **legal claims**, or,
d) it is necessary for reasons of **substantial public interest**.

Other grounds are potentially available.

****Again, if an employee is unsure as to how to lawfully process special personal data then the advice of the Data Protection Officer should be sought****

3.7 Criminal offence data

To process personal data about criminal convictions or offences, the Council must have a lawful basis under article 6 (at 3.5 above) and legal authority or official authority. For further advice speak with the Data Protection Officer.

3.8 Data protection rights

Individuals have rights when it comes to how the Council handles their personal data.
These include rights to:-

a. **The right to be informed**
   You have the right to be informed about the collection and use of your personal data. We will normally do this by way of privacy notices on forms or on our website.
b. **The right of access**
   You have the right to request access to the information we hold about you. The information requested will be provided free of charge, however, we may charge a reasonable fee if the request is considered "manifestly unfounded" or "excessive". We may also charge a fee if you request further copies of information we have already provided to you
c. **The right to rectification**
   You have the right to request that inaccurate personal information be rectified and incomplete personal information updated.
d. **The right to erasure**
   You have a right to ask us to erase information about you. This right will only apply where:
   - The personal data is no longer necessary for the purpose which we originally collected it for
   - We are relying on consent as the lawful basis for holding the data and you withdraw that consent
   - We are processing the data for direct marketing purposes and you object to that processing.
   - The majority of processing carried out by the council is governed by legislation, which usually includes how long we have to keep your information. The right of erasure won't apply where we have a lawful reason to process your data and it is kept in accordance with our retention schedule.
   - Where your information has been shared with others, we will endeavour to ensure they are aware of your request for erasure.
e. **The right to restrict processing**
   You have the right to restrict the processing of your personal data where:
   - you contest the accuracy of your personal data and the council needs to verify its accuracy before further processing takes place;
   - the data has been unlawfully processed and you oppose erasure of the data and request restriction of its use instead;
f. **The right to data portability**
   You have the right to ask for your personal information to be given back to you or another service provider of your choice in a commonly used format. This is called data portability. However, this only applies if we're using your personal information with consent (not if we're required to by law) and if decisions were made by a computer and not a human being. It's likely that data portability won't apply to most of the services you receive from the Council.
g. **Automated Decision Making**
   You have the right to not be subject to a decision based solely on automated processing. You can ask to have any computer made decisions explained to you, and details of how we may have 'risk profiled' you.
h. **The right to object**
   You have the right to object to the processing of your personal information. The right to object only applies in certain circumstances. Where personal data might lawfully be processed because processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority, data subject should be entitled to object to the processing of any personal data. It should be for the Council to

demonstrate that its compelling legitimate interest overrides the interests or the fundamental rights and freedoms of the data subject.

Please note that the above rights are not absolute. The Council can say no to your request. For full details of the rights, ground to exercise them and the exemptions available to the Council please see articles 12 to 23 of UK GDPR. If you wish to exercise a right please put your request in writing to our Data Protection Officer.

To exercise your rights to access information we hold about you please use our subject access request form or for any other queries, please email dpo@lichfielddc.gov.uk

3.9 Restrictions

In certain circumstances we are permitted to restrict the above rights and our obligations as well as depart from the principles. Any restriction will be in accordance with the law. For further advice speak with the Data Protection Officer.

3.10 Data protection by design and default

Taking into account available technology, the cost of implementation of it and the nature, scope, context and purposes of the processing as well as the privacy risks to individuals the Council MUST both **at the time we decide how to process personal data and at the time of the processing itself**, implement appropriate technical and organisational measures (such as pseudonymisation) so as to minimise the amount of personal data processed in order to protect the privacy of individuals.

The Council must also implement appropriate technical and organisational measures to ensure that, by default, only personal data which are **necessary** for each specific purpose of the processing activity are processed. That obligation applies to the amount of personal data collected, the extent of their processing, the period of their storage and their accessibility.

****For any new projects that involve the processing of personal data the advice of the Data Protection Officer must be sought, no later than the commencement of the project planning stage, so that the above principles can be built in at the earliest opportunity. Wider Leadership Team are responsible for ensuring either a full Data Protection Impact Assessment or short Data Protection Impact Assessment has been completed for all processes. Advice on the appropriate Data Protection Impact Assessment can be sought from the Compliance and Data Protection Officer****

3.11 Joint controllers

Where the Council and another controller jointly determine why and how personal data should be processed the Council will be regarded as a 'joint controller'. If this is the case, then the appropriate Officer must work with the 'opposite number' to determine the respective responsibilities of the controllers for compliance with GDPR about the exercise of any rights by an individual and the controllers' respective duties to provide a privacy notice. The arrangement must reflect the respective roles and relationships of the joint controllers towards the individual(s). The essence of the arrangement shall be made available to any individual.

3.12 Council use of data processors

These are external individuals or organisations who process personal data on our behalf to our order.

Wider Leadership Team **MUST** ensure that any processor we use:

a) has provided **sufficient guarantees** of having implemented appropriate technical and organisational measures to satisfy us that personal data will be safe.
b) **do not engage another processor** without our written authorisation.

In addition, any processing MUST be governed by a **contract** that is binding on the processor. It should set out the **subject-matter and duration of the processing, the nature and purpose of the processing and the type of personal data and categories of individuals.**

****Wider Leadership Team MUST ensure they have consulted with the Procurement Team when looking at using external processors. Wider Leadership Team and the Procurement Team MUST consult with the Data Protection Officer.****

The contract **MUST** set out that:

a) the processor will only process the personal data on **documented instructions** from us.
b) any person or organisation authorised to process personal data have **committed themselves to confidentiality.**
c) that the processor puts in to place **appropriate security measures.**
d) assists us in complying with our obligations about requests by people to **access their data.**
e) **assist us in complying with our security obligations, notifications to the ICO and to affected individuals and privacy impact assessments.**
f) the processor **deletes or returns** all personal data to us after the end of the provision of the processing services.
g) the processor **makes available to us all information necessary** to demonstrate compliance with the above and to **allow for and contribute to audits, including inspections etc.**

3.13 Records of processing activities

The Council is obliged to maintain a record of our processing activities. The record will contain, amongst other matters, information about:

(a) why we process personal data;
(b) describe the categories of individuals and the categories of personal data;
(c) state the categories of recipients to whom personal data has been or will be disclosed to;
(d) where possible, state the envisaged time limits for erasure of the different categories of data;
(e) where possible, give a general description of the technical and organisational security measures that the Council has in place.

****If Officers are aware of any changes in the above they should inform the Protection Officer who will make the required changes to the record****

3.14 Data Protection Impact Assessments

Where a type of processing of personal data, using new technology, and considering the nature, scope, context and purposes of the processing, is likely to result in a **high risk** to the privacy of individuals then a full Data Protection Impact Assessment **MUST** be completed. **As part of this process Officers MUST seek the advice of the Data Protection Officer.**

****Wider Leadership Team are responsible for ensuring either a full or short Data Protection Impact Assessment is completed for all processes identified in the Record of Processing Activities and that all processes within their services are reflected in the Record of Processing Activities****

3.15 Data Protection Officer (DPO)

The Council's designated DPO is available via dpo@lichfielddc.gov.uk . The DPO MUST be involved, properly and in a timely manner, in all issues which relate to the protection of personal data. The Council will support the DPO in performing their [this list is not exhaustive] tasks:

(a) to inform and advise the Council of its legal obligations under all data protection laws;

(b) to monitor the Council's compliance with GDPR and other data protection laws and the Council's compliance with our internal policies and procedures and to assign responsibilities, awareness-raising and training of staff involved in processing operations, and related audits;

(c) to provide advice where requested about any data protection impact assessment and monitor its performance;

(d) to cooperate with the Information Commissioner;

(e) to act as the contact point for the Information Commissioner on issues relating to the processing of personal data, including privacy impact consultations and where appropriate, any other matter.

3.16 Data Breaches

The Council does all it reasonably can to keep your personal data confidential, available for us and intact. However, if there should be a breach of your personal data such as its destruction, loss, alteration etc. then, if there is a risk of harm to you, the Council will report matters to the Information Commissioner's Office. We will tell them what has happened; how many people are affected; what the likely consequence s are and what we are doing to make things better. In certain circumstances we will also provide this information to you.

4. Related policies and procedures

- Retention of documents schedule
- Subject access request
- ICT Security Policies

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AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24

Item	20 July 2023	27 Sept 2023	28 Nov 2023	1 Feb 2024	21 Mar 2024	17 April 2024	Comments
FINANCE							
Annual Treasury Management Report	√						
Mid-Year Treasury Management and Local Audit Update Report			√				
Accounting Policies and Estimation Uncertainty						√	
Statement of Accounts 2022/23 (and potentially 2021/22)			√				Audit deadline for 2022/23 is 30 September 2023
Treasury Management Statement and Prudential Indicators				√			
Audit Committee Practical Guidance*							*Only relevant if there is updates to guidance so may not be needed
CIPFA Financial Management Code*							*Only relevant if there is updates to guidance so may not be needed
CIPFA Resilience Index	√						
Local Audit Update*							*Only relevant if there is updates to guidance so may not be needed
Overview of the Council’s Constitution in respect of Contract and Financial Procedure Rules*							*Only relevant if there is updates to guidance so may not be needed
Annual report on Waivers to Contract Procedure Rules 2022/23	√*						*To be circulated as a briefing paper
LWMTS – Annual Report			√				
INTERNAL AUDIT							
Chair of the Audit Committee’s Annual Report to Council						√	
Annual Report for Internal Audit (including year-end progress report)						√	
Internal Audit Plan, Charter & Protocol 2023/24					√		
Internal Audit Progress Report	√		√	√		*	*Included in the ‘Annual Report for Internal Audit’

AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24

Review of the Effectiveness of the Audit Committee					√		
Quality Assurance and Improvement Programme /Public Sector Internal Audit Standards	√						
Risk Management Update	√		√	√		√	
Counter Fraud Update Report including Counter Fraud & Corruption/Whistleblowing/Anti-Money Laundering/ Prevention of Tax Evasion Policies			√				
Public Sector Internal Audit Standards and External Quality Assessment					√		
Skills Review & Discussion on the Appointment of An Independent Member		√					
GOVERNANCE							
Annual Governance Statement						√	
Annual Report of the Monitoring Officer – Complaints		√*					*To be circulated as a briefing paper
The Annual letter for Lichfield District Council from the Local Government Ombudsman			√*				*To be circulated as a briefing paper
RIPA reports policy and monitoring	√						
Compliments, complaints, MP and FOI enquiries report 2022/2023	√						
COMPLIANCE AND DATA PROTECTION							
GDPR/Data Protection Policy				√		√	
Compliance and Data Protection verbal update		√					
EXTERNAL AUDITOR – GRANT THORNTON							
Audit Findings Report for Lichfield District Council 2022/23			√				
Audit Plan (including Planned Audit Fee 2022/23)	√*						*Deferred to 2023/24 at the request of the external auditors
Informing the Audit Risk Assessment - Lichfield District Council	√*					√	*Deferred to 2023/24 at the request of the external auditors

AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24

Auditor’s Annual Report for Lichfield District Council 2022/23			√*				*Combined with the Auditor’s Annual Report for Lichfield District Council 2021/22
Audit Plan (including Planned Audit Fee 2023/24)						√	
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2024						√	
Private meeting with external auditors					√		
EXTERNAL AUDITOR – AZETS							
Audit Plan (including Planned Audit Fee 2023/24)				√			

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