

Agenda

Audit Committee

Wednesday

24 January 2024

at 7.30 pm

The Guildhall
St Peter's Place
Canterbury
CT1 2DB

Membership of the Audit Committee

Councillor Alister Brady (Chair)
Councillor Dan Smith (Vice Chair)
Councillor Dane Buckman
Councillor Elizabeth Carr-Ellis
Councillor Andrew Harvey
Councillor Roben Franklin
Councillor Robert Jones

Quorum: 4 councillors

NOTES

1. Members of the public may speak at meetings of the Committee so long as they contact Democratic Services by 12.30pm the working day before the meeting.

2. The venue for the meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired.

3. Everyone is welcome to record meetings of the Council and its Committees using whatever non-disruptive methods you think are suitable. If you are intending to do this please mention it to the Democratic Services Officer and do not use flash photograph unless you have previously asked whether you may do so. If you have any questions about this please contact Democratic Services (members of the press please contact the Press Office).

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If a meeting passes a motion to exclude the press and public then, in conjunction with this, all rights to record the meeting are removed.

4. The information contained within this agenda is available in other formats, including Braille, large print, audio cassettes and other languages.

Contact: Democratic Services, 01227 862009,
democracy@canterbury.gov.uk

AGENDA

Page (s)

1 APOLOGIES FOR ABSENCE

2 SUBSTITUTE MEMBERS

3 DECLARATION OF ANY INTERESTS

TO RECEIVE any declarations for the following in so far as they relate to the business for the meeting: -

- a. Disclosable Pecuniary Interests
- b. Other Significant Interests (what were previously thought of as non-pecuniary Prejudicial interests)
- c. Voluntary Announcements of Other Interests

Voluntary Announcements of Other Interests not required to be disclosed as DPI's or OSI's, ie announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Councillor knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Councillor, relative, close associate, employer, etc but not his/her financial position.

[Note: an effect on the financial position of a Councillor, relative, close associate, employer, etc; OR an application made by a Councillor, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

4 MINUTES OF THE MEETING HELD ON 4 OCTOBER 2023

6 - 12

5 PUBLIC PARTICIPATION

Members of the public may speak on any item on the agenda, for a maximum of three minutes, provided that notification has been given to Democratic Services by 12.30pm on the working day before the meeting.

[To find out more visit this page.](#)

6 COUNCILLOR INTEREST GOVERNANCE REVIEW

13 - 30

To NOTE the report of the Corporate Services Director and Head of Paid Service

7 2023-24 HALF YEAR TREASURY MANAGEMENT REPORT 31 - 41

TO NOTE the report of the Service Director – Finance and Procurement

8 EAST KENT AUDIT PARTNERSHIP INTERNAL QUARTERLY AUDIT REPORT 42 - 58

TO NOTE the report of the Deputy Head of the East Kent Audit Partnership

9 UPDATE REPORT ON THE STRATEGIC RISK REGISTER

TO NOTE the verbal update of the Service Director – Finance and Procurement

10 REGULATION OF INVESTIGATORY POWERS ACT 2000

TO NOTE the verbal update of the Head of Finance and Procurement and Head of Legal Services & Monitoring Officer

11 DATE OF NEXT MEETING

7pm on Wednesday 13 March 2024

12 ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC

13 EXCLUSION OF THE PRESS AND PUBLIC

TO RESOLVE – That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act or the Freedom of Information Act or both

14 ANY OTHER URGENT BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH

CANTERBURY CITY COUNCIL

AUDIT COMMITTEE

**Minutes of a meeting held on Wednesday, 4th October, 2023
at 7.00 pm in The Guildhall, St Peter's Place, Canterbury**

Present: Councillor Alister Brady (Chairman)
Councillor Dan Smith
Councillor Dane Buckman
Councillor Elizabeth Carr-Ellis
Councillor Andrew Harvey
Councillor Roben Franklin
Councillor Ian Stockley

In attendance Sophia Brown, Grant Thornton UK LLP*

Officers: Nicci Mills - Service Director of Finance and Procurement
Jan Guyler - Head of Legal Services & Monitoring Officer
William Hicks - Service Director for Place
Marie Royle - Service Director for People
Abigail Agba - Acting Head of Housing and Community
Oksana Ivanova - Accountant - Finance and Procurement
Alexis Jobson - Head of Facilities Management
Christine Parker - Head of East Kent Audit Partnership
Christopher Parker - Deputy Head of Audit
Lauren Wheeler - Democratic Services

(*present for part of the meeting)

269 **APOLOGIES FOR ABSENCE**

There were apologies received from Councillor Robert Jones.

270 **SUBSTITUTE MEMBERS**

Councillor Ian Stockley was present as a substitute for Councillor Jones.

271 **DECLARATION OF ANY INTERESTS**

There were no declarations for the meeting.

272 **MINUTES OF THE MEETING HELD ON WEDNESDAY 5 JULY 2023**

The minutes were agreed as a true record by general assent.

273 **PUBLIC PARTICIPATION**

There were no public speakers for the meeting.

274 **EXTERNAL AUDIT PLAN 2022 - 2023**

The Director (of Grant Thornton UK LLP) introduced the report and provided further detail and explanation on the points raised within.

An overview by the Director included the following:

- A summary of the headlines and priorities
- Revised timescales and the progress of the Value for Money work
- Audit fees for this year which are 30k less than the previous year, and how this has been reduced, including working closely with officers and the prioritisation of audit queries by the council
- Areas of focus
- Pension fund liability
- The review of any flags and recommendations from last years report and the provision of updates as part of the audit findings report - to be produced
- Group accounts including Canenco
- The NAO (National Audit Office) threshold. (The council is currently under the threshold).
- Level of triviality and assessment of materiality
- The 3 main areas of financial sustainability, there are no areas of weakness identified so far, any issues or errors over 5% will be brought to the attention of officers and reported within the audit findings report and to this committee

The following points were raised and further explanation provided:

- Management over-ride of controls and risk assessment process
- Heritage assets, assets under construction, and specialised assets
- Brought forward creditors
- Journal and source evidence
- Land valuation, the current process and evidence
- Common themes with associated and significant risks
- A request for a future session for members to include more detailed information re: the valuation process, depreciated replacement costs, investment properties etc. and a link to useful definitions be included in future reports.

The Service Director - Finance and Procurement confirmed that there will be a future briefing held on the Statement of Accounts providing further detail.

The Director (of Grant Thornton UK LLP) confirmed they have not experienced any issues or delays in receiving information from officers, and there are currently no specific concerns over process or controls tested during the past year.

The Chair thanked the Director for the detailed report.

The committee NOTED the report by general assent.

275 **EXTERNAL AUDIT ANNUAL REPORT UPDATE**

The Service Director - Finance and Procurement provided a verbal update on the previous recommendations identified in the Grant Thornton report 2021/22, presented at the last Audit Committee in July 2023.

The update was discussed and included:

- What is a 'Heritage asset?'
- The Grant register
- Land valuation
- Assets under construction
- Evidence register

The Service Director - Finance and Procurement confirmed that there are a number of recommendations still in progress.

The committee NOTED the verbal update by general assent.

276 **LOCAL GOVERNMENT AND SOCIAL HOUSING OMBUDSMAN ANNUAL REPORT 2022/23**

The Service Director - Finance and Procurement presented the report on behalf of the Corporate Services Director and Head of Paid Service.

The following points were discussed:

- Possible reasons for the high levels of complaints/investigations in comparison to other Kent councils during 2022/23 including vacancy recruitment issues
- The current process for handling complaints, including response timeframes, communication with complainants and progress updating, transparency, providing realistic timescales for resolution, record keeping, training for staff
- Housing and environmental enforcement
- 'No win - no fee' claims
- The recent 'root and branch' review
- The importance of looking at 'Lessons learnt', prevention, complaint trends, ways to improve, and evaluation of what has worked well and what hasn't
- Statutory timeframes for complaints and responding to the Ombudsman's findings in a timely way in the future
- The commitment required to prioritise complaints across all services, working together with a joint approach

An update of actions and improvements will be taken back to Management Team initially to decide on the best route to monitor progress, and a summary provided to this committee.

The committee NOTED the report by general assent.

277 **SOCIAL HOUSING TENANCY FRAUD UPDATE**

The Deputy Head of Audit and Head of Audit (EKAP) provided a verbal update on Social Housing tenancy fraud, as requested at the last committee meeting.

Information on this matter specific to Kent and the local area in the public domain is limited and varied in format. There is a requirement under the Transparency Code to publish all fraud. The verbal update included data (where available) from other authorities as a comparison.

References were made to a recent report published by the Tenancy Fraud Forum and the Fraud Advisory Panel entitled "Lost Homes Lost Hope" regarding Social Housing fraud in England, which provided an overview on the current situation, some case studies, and some regional findings. (The report had been circulated to all committee members following the meeting).

The following points were discussed:

- The Tenancy Fraud Forum, and plans to strengthen the data captured for the Canterbury area in the future.
- 'New' powers of prosecution, changes in legislation.
- Lack of a National Framework since 2016, and discrepancies in the types of data held in the public domain
- The estimated cost of Tenancy Fraud to the public purse, and the differing methods of calculating this.
- How others had considered a 'self funding' post to tackle the issues.
- The resourcing required to be impactful in reducing fraud, in addition to the basic checks that are already completed on an operational level
- A 2018 counter fraud pilot that focused on intelligence led counter fraud work.

A further update will be included when the Progress Report to 'Counter Fraud Arrangements' will hopefully be presented in the Q4 report to the committee.

The Chair and committee thanked the Deputy Head of Audit (EKAP) for seeking the information and their work so far.

The committee NOTED the verbal update by general assent.

278 **MANAGEMENT REVIEW OF HOUSING VOIDS UPDATE**

The Service Director – People introduced the Management Review of Housing Voids update which included:

- A summary of the progress achieved since the 2022 audit which was welcomed, including; completion of the management actions, consideration of the points raised to shape service delivery, asbestos removal records, improved handover sheets from contractors, holding contractors to account, post inspection reports, clear accountable processes for sign offs, reviewing KPIs associated with housing voids, and revising policies that were inherited from East Kent Housing
- An update following the 'root and branch' review where a number of areas were identified as requiring change or improvement, and where the council is

losing rent on empty properties actions need to be undertaken to reduce the financial impact

- Confirmation that future reporting on Housing Voids/performance will be via the Scrutiny Sub Committee, the Audit Committee will receive further updates after the next audit inspection. The Service Director – People, and the Service Director - Place have brought together Heads of Service and specialists to coordinate the strategic direction and management of the council's assets. They have worked with the Head of Property and Regenerations, Head of Housing and Community, and Head of Facilities Management to set up a Corporate Landlord approach to ensure a cohesive response to the priorities

The Service Director – People, Head of Housing and Community, and Head of Facilities Management provided clarification and further explanation of the report, including the following points that were discussed:

- The churn of stock, the demands of the housing needs register, the refreshed allocations policy, and the bidding and 'banding' process for applicants
- The new voids targets, and issues around long term voids and lost rental income
- Vulnerable and disabled tenants, and the challenges of adaptations required, HRA funding, working closely with OT's
- Tenants over 55, service charges, under occupancy and how to improve the provision for older people and better meet their needs which is being looked at through a councillor working group
- Previous experiences with contractors, introducing new contracts to enable applying penalties, addressing and handling contractor issues, the retendering process
- The repair processes and priorities for void works including structural issues and remedial works, dealing with mould and damp, asbestos surveys, robust monitoring and the ongoing costs and challenges with removal
- Issues with key meters and the current 'work around' to eliminate the previous problems
- Making best use of officer resources through the neighbourhood/patch model, making contacts with tenants count and building good relationships, and getting into properties earlier before they become void to check condition and see whether there has been any damage by the tenants
- The Tenancy work plan and future planning and strategies, priority of spend,
- wider/improved monitoring, using data to inform future decisions, all with the overall aim of reducing the number of voids on the list and improving quality of housing stock
- RAAC in public buildings/housing stock. A contract is currently out to tender and it is anticipated there will be arrangements in place by the end of the year, and a surveyor appointed to assess the properties that have been identified and make recommendations.

An update on Asbestos compliance and on the RAAC position will be included in the half year performance report for Scrutiny Sub Committee, and a link to the report will be shared with committee members.

An update will be circulated to committee members explaining the bedroom tax.

The committee NOTED the report by general assent.

279 **EAST KENT AUDIT PARTNERSHIP INTERNAL QUARTERLY AUDIT REPORT**

The Deputy Head of the East Kent Audit Partnership presented the report of the Head of Finance and Procurement asking members to accept the results of internal audit work, and make comments, if required, to full Council.

An update was provided on progress since the report to the last committee meeting and the main points were summarised. The following points were discussed:

- The audit findings and management response re: Housing Responsive Repairs and Maintenance. The Head of Facilities provided a summary of the background and details of a new contract being tendered this year which should rectify the issues raised in the report. The new contract will return the control to the council, enabling the improvements required.
- The assurance level of Climate Change and Housing Capital Programme remain the same. The assurance level of the Whitstable South Quay Shed has improved from reasonable/limited to reasonable assurance.
- Planned progress targets for the period are showing as slightly behind as at quarter one, these will pick up through the rest of the year.
- Balance scorecard targets re: continued professional development for East Kent Audit Partnership would be on track following the upcoming networking/training conference in November.

It was proposed, seconded and when put to a vote unanimously RESOLVED that;

The Committee accepts the results of internal audit work.

280 **QUARTERLY TREASURY MANAGEMENT REPORT**

The Accountant presented the report of the Service Director - Finance and Procurement, and provided a summary of the main points and the tables contained within. The Service Director - Finance and Procurement provided further detail as required.

The following points were discussed:

- Treasury Management summary for Q1, as per the new quarterly reporting requirements
- Short-term borrowing/cash flow and capital programmes
- Fixed rates and annuity borrowing
- Asset management and the economic climate
- Mid/longer term borrowing
- Refinancing options
- Maturity structure of borrowing

Committee members raised queries about the loan maturity table on page 79 of the reports pack and requested a user friendly table at the next meeting with added commentary.

The committee NOTED the report by general assent.

281 UPDATE REPORT ON THE STRATEGIC RISK REGISTER

The Service Director - Finance and Procurement presented the report and appendices, and provided a summary of the register, risk scores and criteria, including the following:

- Inherent risks, when to remove a risk i.e. budget setting process, and how they are reported to the Audit Committee
- Recently removed and reduced risks
- RAAC is currently under review, and will be reported back to the Audit Committee through the Strategic Risk Register

The Chair thanked officers for the Strategic Risk Management training session held recently.

The committee NOTED the report by general assent.

282 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Service Director - Finance and Procurement confirmed there were no verbal updates to provide.

283 DATE OF NEXT MEETING

7pm on Wednesday 24 January 2024

Councillor Ian Stockley and the Chair both thanked the officers for a worthwhile and informative meeting this evening.

284 ANY OTHER URGENT BUSINESS TO BE DEALT WITH IN PUBLIC

There was no other urgent business to be dealt with in public.

285 EXCLUSION OF THE PRESS AND PUBLIC

It was proposed, seconded and when put to a vote unanimously RESOLVED that

under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act or the Freedom of Information Act or both.

286 ANY OTHER URGENT BUSINESS WHICH FALLS UNDER THE EXEMPT PROVISIONS OF THE LOCAL GOVERNMENT ACT 1972 OR THE FREEDOM OF INFORMATION ACT 2000 OR BOTH

None notified.

There being no other business the meeting closed at 9.10 pm

Audit Committee
24 January 2024

Subject: Governance Review - Local Plan Interests

Director and Head of Service:

Corporate Services Director and Head of Paid Service - Tricia Marshall

Officer:

Head of Audit - East Kent Audit Partnership

Cabinet Member: not applicable

Key or Non Key decision: not applicable

Decision Issues:

These matters are within the authority of the Committee

This report is open to the public.

CCC ward(s): not applicable

Summary and purpose of the report:

To report back on a special audit commissioned on governance arrangements around local plan interests.

To Note:

The outcome of this audit report and the related action plan

Next stage in process:

To implement the agreed actions arising from the audit review.

1. Introduction

In September a special audit review was commissioned from the East Kent Audit Partnership. The terms of reference for that review were signed off by the political group leaders and were to:

1. Review the processes surrounding the inclusion of the Milton Manor site into the draft Local Plan and whether they complied with the Council's constitution and any other relevant Council procedures or guidance in place at the time;
2. Comment on whether improvements could practically be made to the constitution or any other relevant Council procedures or guidance in order to improve transparency and public confidence in decision making on the Local Plan and sites allocated within it for development that are owned by councillors or officers;
3. Similarly, review the processes around any planning applications and screening/scoping opinion requests relating to this site;

4. Comment on whether improvements could practically be made to the constitution and any other relevant Council procedures or guidance in order to improve transparency and public confidence in consideration of planning applications/opinion requests by councillors or officers; and
5. Comment on the submitted evidence supporting a request for anonymity under s32 of the Localism Act and seek assurance that the decision to grant anonymity was proportionate, consistent and justified on all three occasions. - to include a review of the MO's previous decisions in 2015 and 2019 (- while maintaining confidentiality over the details).

The Audit report for the review is attached as an appendix to this report.

EKAP's work did not include any investigation that would normally be carried out by the Monitoring Officer as a Code of Conduct complaint as that was, appropriately, outside the scope of the audit.

Some questions have been raised about this matter that are outside the scope of the audit review.

In response some information is set out below to assist councillors' understanding of this matter.

2. Detail

Classification of Milton Manor as a sensitive interest

1) The two councillors appropriately registered their interest in the property by including it in a Disclosable Pecuniary Interest (DPI) form submitted to the Monitoring Officer.

2) The address of that property was appropriately withheld from the published DPI form in accordance with s32 of the Localism Act 2011 due to the councillors being at risk of threats and intimidation. That is a decision for the Monitoring Officer to make.

Three consecutive Monitoring Officers assessed the risks and considered it appropriate to consider the property address to be a sensitive interest.

The test is whether the Councillors are at risk of threats and intimidation. The planning status of the property is not relevant.

Council decision making on the draft local plan

3) Agents acting on behalf of the councillors put the site forward for the local plan and advised the planners that the site was owned by the two (now former) councillors.

4) The draft local plan was put together by CCC officers who are professional planning officers. The Leader had no active role in selecting one site above another.

5) There is no legal requirement to set up a cross party working group to develop a local plan; that is a matter of choice and the previous leader chose not to establish such a group.

6) The only decision taken by the Council in relation to the draft local plan was the decision of Cabinet on 19 October 2022 to put the draft local plan out for public consultation. LJR and MJR did not attend or take any part in that Cabinet meeting.

7) The meeting of full council held on 5 January 2023 received the minutes of the Cabinet meeting held on 19 October 2022. LJR and MJR were present at that council meeting. The Cabinet minutes had already been resolved by Cabinet at its meeting on 9 November 2022. Minutes of other meetings are “received” at Full Council only for the purpose of asking questions or making comments – the minutes have already been “approved” by the Meeting to which they relate as being a correct record of proceedings.

There was no discussion on the minutes so in the absence of any dissent they were received by general assent. As there was no discussion regarding the draft local plan at the full council meeting there was no need for LJR and MJR to disclose an interest in the property or abstain from voting by general assent.

8) There is no prohibition on councillors investing in property. If they do, they need to ensure that they do not gain an advantage from their position as councillor.

9) In light of the above declarations and no participation in council decision making there is no evidence that LJR and MJR gained an advantage due to their Councillor positions.

Handling complaints about councillor conduct

10) Any complaints about individual councillor conduct are referred to the Monitoring Officer for investigation.

11) The Council's arrangements for dealing with Councillor Conduct Complaints requires that any complaint regarding former councillors shall fail the first screening test (paragraph 1.2 (g) of Annex 1). This would apply to any conduct complaint about the former councillors Jones Roberts and Fitter-Harding.

If that was not the case, on the information available to date, the complaint would most likely fail the second screening test, the local assessment criteria test, on the basis that the complaint has been the subject of an investigation or other action and there is nothing more to be gained by further action being taken (paragraph 1.5(i), Annex 1).

12) In relation to whether LJR and MJR were “friends” of the former Leader, BFH, rather than merely colleagues as Councillors, that would be for BFH to consider at the Cabinet meeting stage and whether that amounted to an Other Significant Interest (OSI) which should have been declared at the Cabinet Meeting.

However, even if there was an OSI, the nature of the decision merely to go out to consultation would be unlikely to be so significant that it is likely to prejudice his

judgement of the public interest. The decision as to whether to include the site in the next draft local plan is yet to be considered and will require further planning decisions regarding that specific site going forward and would not therefore amount to an OSI.

13) Any allegation regarding a Councillor's failure to register/declare their pecuniary interests is a matter for the police to investigate. I understand that this has been reported to the police and it would not be appropriate for me to comment further.

Audit recommendations

The report contains three recommendations for enhancements to current arrangements for declaring interests. All three recommendations are being actioned by officers and they will be taken to relevant committees where council approval is required for their implementation.

3. Relevant Council policy, strategies or budgetary documents

None except those referred to in the appendix.

4. Consultation planned or undertaken

For noting only, no consultation required.

5. Options available with reasons for suitability

For noting only.

6. Reasons for supporting option recommended, with risk assessment

For noting only.

7. Implications

None identified.

(a) Financial

None

(b) Legal

None

(c) Equalities

None

(d) Environmental including carbon emissions and biodiversity

None

Contact Officer: Tricia Marshall, Corporate Services Director and Head of Paid Service

Background documents and appendices

Appendix - EKAP report Governance Review - Local Plan Interests

Additional document(s) containing information exempt from publication:

No

Governance Review - Local Plan Interests

1.0 Information

| | |
|------------------------|---|
| Summary of Scope: | To review the adequacy and effectiveness of governance arrangements for potential parcels of land owned by officers or members to be considered for inclusion in the Local Plan. EKAP's work will not include any investigation that would normally be carried out by the Monitoring Officer as a Code of Conduct complaint. |
| Commissioning Manager: | Head of Paid Service |
| Date Commenced: | 19.09.23 |
| Date Concluded: | 23.11.23 |

2.0 Schedule of Meetings Held

| Capacity (employee, witness, manager) | Date of meeting | Scope of Meeting |
|--|------------------------|--|
| Manager | 20.09.23 | Outline the processes involved in compiling the Draft Local Plan |
| Manager | 22.09.23 | Outline Constitution and Decision Making processes |
| Manager | 22.09.23 | Explain s.32 Localism Act processes and the three decisions made |
| Manager | 09.10.23 | Outline the changes to the New Local Plan and new Member Working Party arrangements |
| Manager | 24.10.23 | Local Plan process and political decisions made |
| Witness | 27.10.23 | To receive evidence of allegations of wrongdoing and how that impacts the scope of this review |
| Manager | 01.11.23 | Interim update meeting, to cover several outstanding questions |

3.0 Findings

There has been considerable public interest in a Private Eye article about the inclusion of a site owned by councillors in the draft Local Plan and allegations that planning permission had been granted for that site, all without appropriate levels of transparency. As a result, EKAP is being asked to:

3.1 Review the processes surrounding the inclusion of the Milton Manor site into the draft Local Plan and whether they complied with the Council's constitution and any other relevant Council procedures or guidance in place at the time;

Meetings were held with relevant staff to gain an understanding of the overall process and the adopted procedures. The relevant requirements for local authorities is set out in [Section 3](#) of the [National Planning Policy Framework](#) (NPPF) which requires that each local planning authority should prepare a Local Plan for its area.

The Council's Constitution provides the framework for the rules for all decision making and delegations. In relation to the Local Plan process the stages for decision making were all in accordance with Council procedure. The key decision making points are listed on the Timeline at Appendix 1.

The call for sites is not limited to a certain stage in preparing a plan as nominations for land to be evaluated and considered may be received at any time. However an early step in the formal process is the advertisement to the 'world at large' for the call for sites. The digital form used by the Council for submissions to be made does not require a declaration to be made regarding whether the landowner of the submitted site is either an officer or member of the Council, or is related to one. This fact was benchmarked with other East Kent councils resulting with none of the councils requiring such a declaration at this stage. It was determined, this is not a requirement at a scoping stage or screening opinion or pre-planning advice stage either. In fact, of course any of these submissions may be made by an agent or developer at any time without the landowner yet 'being on board' or even aware.

In this specific case, the agent wrote (an email 15.07.20) separately to the planning team advising them of the ownership details of the land, with the clear intention to declare the ownership, stating: *"Whilst the form did not enquire as to the nature of the landowners and whether they have a connection to the Council, both Councillors are keen to ensure that their land ownership is known by officers to ensure disclosure"*. There was however a missed opportunity, as the information was not passed to the Monitoring Officer at that time.

Recommendation 1

Consideration should be given to adding a declaration (similar to that on a Planning Application) seeking confirmation whether the landowner is an Officer, Member or is related to one, adding a box for agents / developers with the option stating 'Not Known'. With a footnote to read, if this applies, to forward the information to the Monitoring Officer. The Monitoring Officer on receipt of such information may then ensure that any decisions made regarding the site are handled in accordance with the Constitution, and also will be prepared to provide advice regarding declaring interests, and briefing colleagues as necessary.

3.2 Comment on whether improvements could practically be made to the Constitution or any other relevant Council procedures or guidance in order to improve transparency and public confidence in decision making on the Local Plan and sites allocated within it for development that are owned by councillors or officers;

There is National Guidance for Councillors in respect of interests and the expectation of complying with the Seven Principles of Public Life, this includes a paragraph which reads;

“What are pecuniary interests?”

A person’s pecuniary interests are their business interests (for example their employment, trade, profession, contracts, or any company with which they are associated) and wider financial interests they might have (for example trust funds, investments, and assets including land and property)”.

This National Guidance also provides a link to a Model Code of Conduct for Members, and informs the reader that *“Within the requirements of the national rules it is for your council or authority to determine what is to be entered in its register of members’ interests”.*

The Council’s Code sets out clearly what is to be declared in the register of interests, and this is shown at Appendix 2. The only relevant difference identified as part of this review, between CCC’s current Members’ Code of Conduct, and the Model Code is at appendix B Table 2: Other Registerable Interests, where the Model Code states;

“You must register as an Other Registerable Interest : a) any unpaid directorships”

The remainder of the table is the same in both (see Appendix 2).

The Council’s Members’ Code of Conduct is a collaborative code discussed, and agreed via the Kent Secretaries network then adopted by each of the local authorities. The Monitoring Officer has confirmed that *“once the LGA Model Code was published the Kent Secretaries group set up an officer’s working group to consider the Model Code and propose an amended Kent Code accordingly. A lot of the Model code was added to the Kent Code, the bits that were not incorporated were ones that exceeded what legislation requires”.*

The circumstances of this case include an allegation that a company directorship was incorrectly omitted from the Register of Interests. However, a review of Companies House records confirmed that the specific circumstances were such that it did not need to be declared as the company did not operate *“for profit or gain”* - it did not trade nor hold any assets per the public record. After looking more closely at the provision under Part 8 however, it would appear that part b) (ii) does apply to this case as the shares held exceed 1/100th of the total issued share capital in CCH Milton Manor Park Ltd. Meaning that this should have been declared under 8 Part G. Whether this is a breach of the Localism Act 2011 or not, is outside the scope of this review .

If the Council were to adopt part a) above from the Model Code, into its own Members’ Code this would prevent any ‘uncertainty’ in future, as in future all positions of office would need to be declared.

Recommendation 2

Consideration to adopt (in the next updated version) the wording of the Model Code to include the requirement to declare “a) any unpaid directorships”.

Alternatively to be discussed at Kent Secretaries regarding some additional wording added after the definition of Other Significant Interests (OSI's) in the Members' Code to provide some examples of OSI's which could include highlighting that members need to be alive to any directorship, even if they don't receive financial gain.

3.3 Similarly, review the processes around any planning applications and screening/scoping opinion requests relating to this site;

The timeline at Appendix 1 records interactions with the Council by the agents acting for the landowners in respect of screening, scoping, pre planning advice, planning interactions; also summarised as follows:-

- 14.12.22 Screening report
- 02.03.23 Pre planning advice
- 26.05.23 EIA scoping report
- 20.09.23 Outline Planning Application

None of the first three stages require a declaration regarding whether the application is on behalf of a member or officer of the Council (or a close associate of one), by the time the Planning Application was submitted (September 2023), (which does require such a declaration) the landowners were no longer serving councillors and thus did not apply.

No recommendation for improvement needed, but cross reference this to the spirit of Recommendation 1.

3.4 Comment on whether improvements could practically be made to the constitution and any other relevant Council procedures or guidance in order to improve transparency and public confidence in consideration of planning applications/opinion requests by councillors or officers;

The Constitution clearly sets out at Appendix E - its Planning Code of Practice. Paragraph 6 of which covers “development proposals submitted by councillors, officers and Council development”. There are no enhancements required at this time, the protocol and standing order is very clear.

<https://democracy.canterbury.gov.uk/documents/s117324/Appendix%20E%20-%20Planning%20Local%20Code%20of%20Good%20Practice.pdf>

No recommendation for improvement needed, but cross reference this to the spirit of Recommendation 1.

3.5 Comment on the submitted evidence supporting a request for anonymity under s32 of the Localism Act and seek assurance that the decision to grant anonymity was proportionate, consistent and justified on all three occasions. - to include a review of the MO's previous decisions in 2015 and 2019 (- while maintaining confidentiality over the details).

The Monitoring Officer (MO) explained that the decision to permit anonymity under s.32 of the Localism Act had been taken three times, as follows;

- 2015 - Monitoring Officer Sarah B
- 2019 - Monitoring Officer Stephen B
- 2023 - Monitoring Officer JG

There was no documented file retained covering the evidence considered in 2015 or 2019 to agree to the request under s.32. Such a request remains in place until circumstances change and the Councillor updates that it may be removed, or is removed when the Councillor is no longer in office. It does not automatically expire or require annual review. The 2023 assessment was made on 07/02/2023 and was considered and granted by the Monitoring Officer the same day. The published interests therefore indicated that five properties had been disclosed to the MO, and that these were to remain undisclosed under s32. It is not for this review to challenge the decision of the Monitoring Officer, the 2023 decision is recorded and the outcome was shared with the senior governance colleagues via email.

The local news covered an article 21.09.23, claiming to be quoting the individual concerned, and the article expresses some detail regarding the personal safety of the individual.

<https://www.kentonline.co.uk/canterbury/news/nightclub-owner-s-manor-house-could-become-100-home-estate-293784/>

*“I am nervous about people knowing where I live because of what I do for a living”. “People know when we’re at work - our cars are parked outside the venue. They know when the house hasn’t got us in it. Our kids are here with a babysitter, and it scares the s*** out of me, to the point where sometimes I’ll be at work and I have to come home.” Mrs Jones-Roberts says over the years she has been the subject of intimidation and even “murder threats” while at work. “There are nasty, violent people about,” she said.”*

Recommendation 3

Consideration given to adopting a ‘control sheet’ to record all s.32 requests received, the evidence reviewed and the outcome of the decision (whether granted or denied) to be retained by the Monitoring Officer (draft proposed at Appendix 3).

4.0 Conclusion leading to Recommendations

- 4.1 Agreed processes for including the site into the Draft Local Plan were followed, an opportunity to enhance public confidence in compiling the Local Plan was identified in **Recommendation 1**.
- 4.2 The majority of required declarations of interest were made, but a directorship in a non trading company with shares of £25 value was not declared. To remove any uncertainty, consideration could be given to adopting the wording of the Model Code into the next version of the Council's Members' Code of Conduct to include as Other Registerable Interests "*any company with which they are associated including any unpaid directorships*", as set out in **Recommendation 2**.
- 4.3 Agreed processes for planning applications and screening/scoping opinion requests relating to this site were followed, an opportunity to enhance public confidence was identified in **Recommendation 1**.
- 4.4 Potential improvements to the Constitution or any other relevant Council procedures or guidance in order to improve transparency and public confidence in consideration of planning applications/opinion requests by councillors or officers were not identified; but as in 4.1 and 4.3 above one opportunity to ensure these circumstances are not ever repeated is set out in **Recommendation 1**.
- 4.5 The use of s.32 of the Localism Act was considered by three different Monitoring Officers, the records for which may be standardised and retained through the use of a control sheet as suggested in **Recommendation 3**.

5.0 Summary of Appendices Attached

Appendix 1 - Timeline

Appendix 2 - Required Declarations from CCC Members' Code of Conduct

Appendix 3 - Suggested Control Sheet for Recording s.32 Requests and their outcome

Appendix 4 - Action Plan of Recommendations

Timeline

27.05.21 = Committee Process

| Date | Relevant Event / Action | Outcome |
|--|---|--|
| 08.05.19 | New Member declarations to MO following Elections | 5 private addresses correctly declared. Withheld from the public register under s.32. Directorships in several companies included but CCH MMP Ltd. was not declared. 25% shareholder after resignation until it was dissolved 14.09.21 |
| 30.06.20 | Call for Sites submission submitted electronically to the Council Call For Sites 30.06.20 APZNA-1.PDF | Iceni Projects agents submitted the form which covers more than this one site. |
| 15.07.20 | Email from Agents to Planning re Call For Sites alerting to MM being in the name of CCH Build Solutions Ltd. being owned by the Cllrs. | Received by the Planners undertaking the scoring for the land submitted as part of the call for sites assessment process. (ST advised the Planners to advise the Cllrs to update the MO- it was not passed on to the MO by officers). |
| 27.05.21 | Policy Committee received the report: <i>Canterbury District Local Plan to 2040 - options consultation</i> - see minute 13 "The consultation did not include specific sites. However, at the next stage, when the draft Local Plan was published, a draft selection of sites would be included for public consultation." https://democracy.canterbury.gov.uk/documents/g12630/Printed%20minutes%2027th-May-2021%2019.00%20Policy%20Committee%20-%20Decommissioned%2019522.pdf?T=1 | Cllr LJ-R was in attendance declared a financial interest in one of the sites submitted in the call for sites in the Local Plan to 2040, and abstained from voting; as recorded in the minutes. |
| 19.10.22 | Cabinet received the report: <i>Draft Local Plan - seeking approval to consult</i> https://democracy.canterbury.gov.uk/documents/s119631/Minutes.pdf | It was resolved to approve to enter into consultation under regulation 18. Cllr L J-R was not in |

| | | |
|----------|--|---|
| | | attendance. |
| 14.12.22 | <p>Overview & Scrutiny received the report: <i>Consultation on the draft Canterbury District Local Plan To 2045 and associated strategies and plans</i></p> <p>https://democracy.canterbury.gov.uk/ielistDocuments.aspx?CId=756&MId=13306&Ver=4</p> | <p>Opportunity for members of the Overview and Scrutiny Committee to gain a greater understanding of the key strategies within the draft Canterbury District Local Plan comments would be fed into the consultation process which closed 16 January 23. Cllr L J-R was not in attendance.</p> |
| 14.12.22 | <p>EIA Screening Report</p> <p>https://pa.canterbury.gov.uk/online-applications/applicationDetails.do?keyVal=RN4TDPEA05C00&activeTab=summary</p> | <p>Decided - Development could have significant effects on the environment, thus an EIA is required.</p> |
| 05.01.23 | <p>Council Agenda Item 14: <i>To receive the following minutes of the meetings specified and to receive questions and answers on any of the minutes</i></p> <p>https://democracy.canterbury.gov.uk/ielistDocuments.aspx?CId=138&MId=13110&Ver=4</p> | <p>Received by general assent the minutes of Cabinet 19.10.22 (which resolved to go out to consultation on the Draft Local Plan). Cllr L J-R was in attendance. As there was no debate or vote, there was no requirement to declare any interest in the Cabinet minutes.</p> |
| 07.02.23 | <p>The Monitoring Officer reconsidered and decided on a request under s.32 of the Localism Act.</p> | <p>The home address of both Cllrs L J-R and M J-R was not published on the register of interests.</p> |
| 02.03.23 | <p>Pre- Planning Advice was issued, the standard fee of £5,304 was paid.</p> | <p>Written Planning Advice issued regarding the site.</p> |
| 26.05.23 | <p>EIA Scoping Report</p> <p>https://pa.canterbury.gov.uk/online-applications/applicationDetails.do?keyVal=RV9W8UEA01U00&activeTab=summary</p> | <p>Decided - No Objection</p> |
| 20.09.23 | <p>Outline Planning Application ref; CA/23/01766 received by the Council</p> <p>https://pa.canterbury.gov.uk/online-applications/applicationDetails.do?keyVal=S19Y7MEA04Q00&activeTab=summary</p> | <p>Validated and commenced processing. The applicants are no longer Councillors.</p> |

Appendix 2

Extract from the Constitution - Members' Code of Conduct

DISCLOSABLE PECUNIARY INTERESTS, AS PRESCRIBED BY REGULATIONS, ARE AS FOLLOWS:

| Interest | Description |
|---|---|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession, or vocation carried on for profit or gain. |
| Sponsorship | Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a councillor, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992. |
| Contracts | Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority: a) under which goods or services are to be provided or works are to be executed; and b) which has not been fully discharged. |
| Land | Any beneficial interest in land which is within the area of the relevant authority. |
| Licences | Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer. |
| Corporate Tenancies | Any tenancy where (to M's knowledge): a) the landlord is the relevant authority; and b) the tenant is a body in which the relevant person has a beneficial interest. |

| | |
|------------|---|
| Securities | Any beneficial interest in securities of a body where: a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and b) either: (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class. |
|------------|---|

The National Model Code goes further and also includes;

Table 2: Other Registrable Interests

| |
|---|
| You must register as an Other Registrable Interest : a) any unpaid directorships b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority c) any body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)of which you are a member or in a position of general control or management |
|---|

DRAFT s.32 Control Sheet

Date Request Received:

Submitted By:

Date Decision Made and Issued:

Decision Made By:

| Test | Consideration / Evidence | Outcome |
|--------------------------|--|---------------|
| Necessity/ Justification | list any evidence submitted / link to emails etc. | Met / Not Met |
| Proportionality | | Met / Not Met |
| Searches Made | Internet searches / electoral role other sources checked to test what is already easily available to the 'world at large'. | Met / Not Met |

The request for s.32 is **Granted** /or **Denied** (delete as appropriate)

Signed:

Dated:

SUMMARY OF RECOMMENDATIONS AND ACTION PLAN

| Priority | Main Control Risk | Audit Recommendation to mitigate risk | Proposed Action or Action Taken | Proposed Completion Date & Responsibility |
|----------|---|--|---------------------------------|---|
| High | A lack of shared / or siloed knowledge. may impair governance over Member's interests and the implications. | 1. Consideration should be given to adding a declaration (similar to that on a Planning Application) seeking confirmation whether the landowner is an Officer, Member or is related to one, adding a box for agents / developers with the option stating 'Not Known'. With a footnote to read, if this applies, to forward the information to the Monitoring Officer. The Monitoring Officer on receipt of such information may then ensure that any decisions made regarding the site are handled in accordance with the Constitution, and also will be prepared to provide advice regarding declaring interests, and briefing colleagues as necessary. | Agreed | May 2024 Monitoring Officer |
| High | Councillors may overlook DPLs in error. | 2. Consideration to agree to adopt (in the next version) the wording of the Model Code to include the requirement to declare "a) any unpaid directorships". Alternatively, to be discussed at Kent Secretaries, regarding some additional wording added after the definition of Other Significant Interests (OSI's) in the Members' Code to provide some examples of OSI's which could include highlighting that members need to be alive to any directorship, even if they don't receive financial gain. | Agreed | May 2024 Monitoring Officer |
| High | Lack of management trail leading to ineffective handover/ evidence. | 3. Consideration given to adopting a 'control sheet' to record all s.32 requests received, the evidence reviewed and the outcome of the decision (whether granted or denied) to be retained by the Monitoring Officer (draft proposed at Appendix 3). | Agreed | May 2024 Monitoring Officer |

Audit Committee

24th January 2024

Subject: 2023-24 Half Year Treasury Management report**Director and Head of Service:**

Nicci Mills - Service Director Finance and Procurement

Officer:

Oksana Ivanova - Accountant

Cabinet Member:

Councillor Mike Sole - Cabinet Member for Finance

Key or Non Key decision: Non Key**Decision Issues:**

These matters are within the authority of the Committee

Is any of the information exempt from publication:

This report is open to the public

CCC ward(s): All**Summary and purpose of the report:***This report details the results of the council's treasury management activities in the first 6 months of financial year ending 31 March 2024***Note:**

That the report is noted

Next stage in process:

Report to Audit Committee next quarter

DISCLAIMER: This report is intended for use solely in connection with Canterbury City Council's treasury management function and should not be used by other parties in connection with other investment or borrowing decisions.**Introduction**

In April 2016 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators.

The Authority's treasury management strategy for 2023/24 was approved at a meeting on the 9th February 2023. The Authority has borrowed and 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 risk remains central to the Authority's treasury management strategy.

External Context

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.4%, beating expectations of a 0.2% increase. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local Context

On 31st March 2023, the Authority had net investments of £15.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

| | 31.3.23 Actual £m |
|----------------------------------|----------------------------------|
| General Fund CFR | 190.52 |
| HRA CFR | 65.26 |
| Total CFR | 255.78 |
| External borrowing** | (177.53) |
| Internal (over) borrowing | 78.25 |
| Less: Item A | (2.53) |
| Less: Usable reserves | (46.96) |
| Less: Working capital | (44.08) |
| Net investments | (15.32) |

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

The treasury management position at 30th September and the change over the six months' is shown in Table 2 below.

Table 2: Treasury Management Summary

| | 31.3.23 Balance £m | Movement £m | 30.9.23 Balance £m | 30.9.23 Rate % |
|---------------------------|-----------------------------------|------------------------|-----------------------------------|-------------------------------|
| Long-term borrowing | 163 | (5) | 158 | 2.75 |
| Short-term borrowing | 15 | 0 | 15 | 4.67 |
| Total borrowing | 178 | (5) | 173 | |
| Long-term investments | 0 | 0 | 0 | |
| Short-term investments | 15 | (4) | 12 | 4.65 |
| Cash and cash equivalents | 0 | (0) | 0 | 1.33 |
| Total investments | 15 | (4) | 12 | |
| Net borrowing | 162 | (2) | 161 | |

Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

The Authority currently holds £4.3m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.

Borrowing strategy and activity

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

There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing during this time frame.

At 30th September the Authority held £173m of loans, a decrease of £5m from 31st March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

| | 31.3.23 Balance £m | Net Moveme nt £m | 30.9.23 Balance £m | 30.9.23 Weighte d Average Rate % | 30.9.23 Weighted Average Maturity (years) |
|--------------------------|-----------------------------------|-------------------------------------|-----------------------------------|---|--|
| PWLB maturity Loans | 21 | (0) | 21 | 4.80 | 24.6 |
| PWLB fixed annuity loans | 142 | (5) | 137 | 2.49 | 12 |
| Local authority loans | 15 | (0) | 15 | 4.38 | 1 |
| Other loans | 0 | 0 | 0 | | |
| Total borrowing | 178 | (5) | 173 | | |

The Authority's short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the Authority's short-term loans at 30th September 2023 of £15m was 4.67%, this compares with 3.56% on £15m loans 3 months ago.

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

Treasury Investment Activity

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

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Authority's investment balances ranged between £9 and £34 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

| | 31.3.23 Balance £m | Moveme nt £m | 30.9.23 Balance £m | 30.9.23 Rate % | 31.3.23 Weighted Average Maturity days |
|------------------------------|-----------------------------------|-----------------------------|-----------------------------------|-------------------------------|---|
| Banks (fixed/notice account) | 0 | 0.00 | 0 | | |
| Banks (Call account) | 0.2 | (0.15) | 0.05 | 1.33 | 1 |
| Money Market Funds | 15.12 | (3.57) | 11.55 | 4.65 | 1 |
| Total investments | 15.31 | (3.73) | 11.60 | | |

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority'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.

As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.34% and 4.5%.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

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

Whitefriars

The authority holds £73m of investments in the Whitefriars Development Unit Trust. This non-treasury investment has generated £6.2m of income for the Authority by the end of March 2023. The income profile continues to be impacted by the economic climate with rental payments not being received as originally budgeted, income has increased since the pandemic, but not back to pre-pandemic levels.. Rent renewals are continuing to reduce the rental income as retail rates are falling nationally. We are working with our asset management team to update business plans and maximise the use of the property space at the shopping centre.

The Authority holds one investment that has been held for many years of £2.3m for commercial purposes.

This investment generates £250,000 of income for the Authority after taking account of direct costs, representing a rate of return of 10.8%. This compares significantly better than the return earned on treasury investments over the last 2 years and forms part of the budgeted income generated by all property rentals. However is only a small part of the overall property income for non investment purposes.

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Authority’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

| | 2023-24 Maximum | 30.9.23 Actual | 2023/24 Limit | Complied? Yes/No |
|--|----------------------------|---------------------------|--------------------------|-----------------------------|
| | | | | |

| | | | | |
|---|----|-------|----|-----|
| Money Market Funds | 34 | 11.60 | 50 | Yes |
| Any single organisation, except the UK Government | 0 | 0 | 10 | Yes |
| Unsecured investments with building societies | 0 | 0 | 5 | Yes |

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 6: Debt and the Authorised Limit and Operational Boundary

| | H1 2023-24 Maximum | 30.9.23 Actual | 2023/24 Operational Boundary | 2023/24 Authorised Limit | Complied? Yes/No |
|------------------------|-------------------------------|---------------------------|---|---|-----------------------------|
| Borrowing | 187.80 | 172.62 | 257.32 | 260.32 | Yes |
| PFI and Finance Leases | 0 | 0 | 0 | 0 | Yes |
| Total debt | 187.80 | 172.62 | 257.32 | 260.32 | |

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

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

| | Maturity year | 30.9.23 Actual £m | 30.9.23 Actual % | Upper Limit | Lower Limit |
|-----------------|----------------------|------------------------------|-----------------------------|--------------------|-------------|
| Under 12 months | 2024-25 | 15.0 | 9% | 50% | 0% |

| | | | | | |
|--------------------|--|--------------|-----|-----|----|
| 12 to 24 months | 2025-26 | 0.0 | 0% | 25% | 0% |
| 2 to 5 years | 2027-28 | 1.2 | 1% | 25% | 0% |
| 5 to 10 years | 2030-31 | 54.7 | 32% | 25% | 0% |
| 10 years and above | 2036-37 - £3.5m 2040-41 - £4.9m 2041-42 - £61.7m 2042-43 - £17.2m 2043-44 - £0.5m | 87.8 | 50% | 50% | 5% |
| 20 years and above | 2046-47 - £2m 2051-52 - £2m 2052-53 - £6.25m 2056-57 - £1.5m 2057-58 - £1.25m 2058-59 - £1m | 14.0 | 8% | 50% | 5% |
| | | 172.6 | | | |

The council has not needed to borrow the sums expected in the current financial year and so the actual position for loans due for repayment between 5 and 10 years appears to exceed the limit set in the Treasury Management strategy. However the actual position is that no new long term loans have been taken out in 2023/24. The repayments due within these timescales has not changed. It is the percentage distribution that has been affected by the reduction in the total loan position.

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

Additional indicators

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

| | 30.9.2023 Actual | 2023/24 Target | Complied? |
|---------------------------------|-----------------------------|---------------------------|------------------|
| Portfolio average credit rating | A+ | A | Yes |

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

| | 30.9.2023 Actual | 2023/24 Target | Complied? |
|--------------------------------------|-----------------------------|---------------------------|------------------|
| Total cash available within 3 months | 11.59 | 5 | Yes |

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. Bank Rate rose by 1.25% from 4.25% on 1st April to 5.25% by 30th September.

| Interest rate risk indicator | 30.9.2023 | 2023/24 Limit | Complied? |
|---|------------------|--------------------------|------------------|
| Upper limit on one-year revenue impact of a 1% rise in interest rates | £143,479 | £385,000 | Yes |
| Upper limit on one-year revenue impact of a 1% fall in interest rates | £39,000 | £39,000 | Yes |

For context, the changes in interest rates during the quarter were:

| | <u>31/3/23</u> | <u>30/9/23</u> |
|---|----------------|----------------|
| Bank Rate | 4.25% | 5.25% |
| 1-year PWLB certainty rate, maturity loans | 4.78% | 5.69% |
| 5-year PWLB certainty rate, maturity loans | 4.31% | 5.22% |
| 10-year PWLB certainty rate, maturity loans | 4.33% | 5.26% |
| 20-year PWLB certainty rate, maturity loans | 4.70% | 5.64% |
| 50-year PWLB certainty rate, maturity loans | 4.41% | 5.43% |

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

AUDIT COMMITTEE

24 January 2024

| | |
|---|--|
| Subject: | QUARTERLY INTERNAL AUDIT UPDATE REPORT |
| Director/Head of Service: | Service Director - Finance & Procurement |
| Officer | Christine Parker - Head of Audit |
| Cabinet Member | Councillor Mike Sole |
| Key / Non Key decision | Non key decision |
| Decision Issues: | This matter is within the authority of the Audit Committee |
| Classification: | This report is open to the public. |
| CCC Ward(s): | All |
| Summary & purpose of report: | This report informs members of progress against the audit plan that was approved by the Audit Committee in March 2023. |
| To Resolve: | That this committee accept the results of internal audit work and make comments, if required to Full Council. |
| Next stage in process | To receive the results of internal audit work and to make comments as considered appropriate. |

SUPPORTING INFORMATION

1. Introduction

Issues for consideration

The Committee is asked to agree the options set out below because: In order to comply with best practice, the Audit Committee should independently contribute to the overall process for ensuring that an effective internal control environment is maintained. This report includes the summary of the work of the East Kent Audit Partnership since the last Audit Committee meeting.

2. Detail

2.1 AUDIT REPORTING

For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant Directors, as well as an appropriate manager for the service reviewed.

Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.

An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

Those services with either Limited or No Assurance are monitored and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.

Part of the remit of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

2.2 SUMMARY OF WORK

There have been six Internal Audit reports completed for the period. These have been allocated assurance levels of substantial to not applicable. Summaries of the report findings are detailed within Annex 1 to this report.

In addition, three follow up reviews have been completed during the period. It is usual to find when the follow up review is undertaken, that the vast majority of recommendations that were agreed by management have been implemented and that management are actively strengthening the internal control environment.

3. Relevant Council Policy/Strategies/Budgetary Documents

None

4. Consultation planned or undertaken

Management Team has considered this report.

5. Options available with reasons for suitability

To consider the results of audit work and to make such observations and recommendations to the Council as the committee sees fit.

6. Reasons for supporting option recommended, with risk assessment

N/A

7. Implications

(a) Financial Implications

The lack of existence of sound financial and other controls could result in loss to the Authority (both financially and to its reputation). Internal Audit is one means of securing such controls.

(b) Legal Implications

The Council is responsible for designating an officer with responsibility for ensuring that satisfactory systems of accounting and internal control are maintained (s.151 Local

Government Act 1972). The Service Director - Finance & Procurement discharges this function, in part, through the work of Internal Audit and the East Kent Audit Partnership.

(c) Equalities - None identified.

(d) Environmental including carbon emissions and biodiversity - None identified.

8. **Conclusions**

The Council is ultimately responsible for the adequacy of internal controls for the effective management of its affairs and this committee acting in an audit role is one mechanism through which it can monitor and review the effectiveness of these controls.

Contact Officer:

Christine Parker Head of the East Kent Audit Partnership

Telephone: Direct Dial: 01304 872160

Filename EKAP Update Report January 2024

Version 1 December 2023

Background documents and appendices.

Additional documents containing information exempt from publication - None.



Annex 1

QUARTERLY UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

1. INTRODUCTION AND BACKGROUND

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Audit Committee meeting together with details of the performance of the EKAP to the 30th September 2023.

2 SUMMARY OF REPORTS

| Service / Topic | | Assurance level | No of Recs * | |
|-----------------|--|--------------------------|-----------------------------------|------------------|
| 2.1 | EKS - Housing Benefit Admin & Assessment | Substantial | Critical High Medium Low | 0 0 0 0 |
| 2.2 | Licensing | Substantial / Reasonable | Critical High Medium Low | 0 1 3 2 |
| 2.3 | Freedom of Information | Reasonable | Critical High Medium Low | 0 0 8 7 |
| 2.4 | Car Parking Income | Reasonable | Critical High Medium Low | 0 4 2 4 |
| 2.5 | Complaints Management Survey | Not Applicable | Critical High Medium Low | 0 0 4 0 |
| 2.6 | EKS - Housing Benefit testing 2022-23 | Not Applicable | Critical High Medium Low | 0 0 0 0 |

*For Assurance and Recommendation priority definitions see Appendix 4

2.1 EKS – Housing Benefit Admin & Assessment - Substantial Assurance

2.1.1 Audit Scope

To ensure that the processes and procedures established by CIVICA / EK Services are sufficient to provide the level of service required by the partner authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the administration & assessment of Housing Benefit claims.

2.1.2 Summary of findings

Between Civica and EK Services they are responsible for the administration and assessment of housing benefits on behalf of Canterbury City Council, Dover District Council and Thanet District Council. This ranges from the day to day processing of housing benefit claims to the installation of upgrades and data cleansing to the system and regular back ups to ensure that data is kept secure and is compliant with data security.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The performance of Civica is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set (and met) to ensure that CIVICA meet the expectations set by each authority and the commitments agreed in the SLA.
- Established processes and supporting procedure notes are in place for the allocating of work and that the verification framework is complied with when processing housing benefit claims.
- Quality assurance checks ensure that claims are processed in a consistent manner and that any errors are fed back to Civica for correction but also are used to feed into training programmes / updates for the claim assessors.
- Established processes are in place for ensuring system access is controlled, backups are taken, data cleansing is carried out and that system upgrades are processed correctly.

2.2 Licensing – Substantial / Reasonable Assurance

2.2.1 Audit Scope

To ensure that the licence applications granted by the Council comply with the Council's policies and relevant legislation and all information is accurately recorded. Licence fees should be properly approved and all income efficiently received, reconciled and monitored. (Excluding Taxi and Hackney Carriages)

2.2.2 Summary of findings

In 2022 there were 222,500 premises licences in England and Wales. Research estimates that the alcohol industry contributes £46 billion a year to national income and is responsible for around 2.5 per cent of all UK employment. At a local level, a vibrant and mixed night time economy can encourage tourism, boost the local economy and contribute to shaping places where people want to live.

Management can place Substantial Assurance on the system of internal controls in operation; with the exception of governance for which management may place Reasonable Assurance.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- All licensing applications are processed in accordance with requirements.
- Income collection and accountancy processes are working effectively.
- Information on the website and correspondence with customers is good.
- There are sufficient lone working arrangements in place and staff are trained.
- There is a sufficient training regime in place for elected members.

Scope for improvement, and the reasons giving rise to the Reasonable Assurance were however identified in the following areas:

- The way in which the Licensing Committee is constituted should be reviewed for compliance.
- Governance arrangements are weakened by the absence of performance information being reported to senior management and to the Licensing Committee annually.

2.3 Freedom of Information – Reasonable Assurance

2.3.1 **Audit Scope**

To ensure that the Council complies with the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 when it receives information requests from the public.

2.3.2 **Summary of findings**

The main principle behind freedom of information legislation is that people have a right to know about the activities of public authorities, unless there is a good reason for them not to.

The Freedom of Information Act 2000 (FOIA) provides public access to information held by public authorities. It does this in two ways:

- public authorities are obliged to publish certain information about their activities; and
- members of the public are entitled to request information from public authorities.

The Act covers all recorded information held by a public authority. It is not limited to official documents and it covers, for example, drafts, emails, notes, recordings of telephone conversations and CCTV recordings.

Requests for environmental information must be handled under the Environmental Information Regulations 2004 (EIR). The Regulations also require organisations to make environmental information available proactively by readily accessible electronic means.

A significant volume of requests are received and the processes in place work in the most part with the majority of cases dealt with within the prescribed deadline. There are however instances where either the service area/ subject matter and/or customer involved can result in the request becoming difficult to respond to and be dealt with.

As at 18 August 2023 395 requests were recorded as being received between 1 April 2023 and 14 August 2023. Of these 73 cases were open and 322 cases were closed. 130 requests received pre 1 April 2023 also remained overdue.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The Council has a Publication Scheme in place, although this requires review.
- The majority of requests are dealt with within prescribed deadlines.
- The IG Team has a good knowledge of how to apply the relevant legislation correctly.
- Procedures and guidance to officers is in place, although this does require some updating to reflect current systems.

Scope for improvement was however identified in the following areas:

- Back office staff training needs improvement to ensure officers' awareness remains up to date and current.
- The backlog of outstanding requests must be dealt with.
- An FOI /EIR disclosure log is not published and therefore an opportunity lost that may reduce occurrences of the same request which may assist in freeing up limited resources.

2.4 Car Parking Income – Reasonable Assurance

2.4.1 **Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that car parking income (on-street and off-street) including the ANPR

system, is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.

2.4.2 **Summary of findings**

There were 48 off-street car parks in operation during the time of the audit across the district and the city. In 2022/23 the Council generated a total income of £9,188,554 from off-street parking, £658,334 from on-street parking and £758,250 from permits. All three income streams combined generated a positive variance against the budget of 2.12%, 24.55% and 13.64% respectively.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- ANPR Technology works well and is well managed.
- There are sufficient processes in place to respond to damage caused to ANPR car parks.
- Budget monitoring, income collection routines and reconciliations are effective.
- The management of permit applications is good.
- There are controls in place for the management of keys and barriers.
- Information made available to customers is good although there are some improvements that need to be made.

Scope for improvement was however identified in the following areas,

- Control over vehicle whitelists needs to be improved.
- The audit trail of cash collection from 19 car parking machines is insufficient and needs to be rectified and improved.
- The main strategic document (OSPPO) does not appear to include all car parks.
- This audit / data analysis has identified that there are certain ANPR car parks that keep getting damaged at certain entry and exit points which should be risk assessed and reviewed by management.

2.5 **Complaints Management Survey – Not Applicable**

2.5.1 **Audit Scope**

Management requested the EKAP to provide assistance in the form of a consultancy review in respect of the Council's current complaints process. The Council is embarking on a change programme which will include fundamentally changing the way complaints are managed to a single corporate process. Management are aware that current arrangements for managing complaints vary across teams and different systems are in use. EKAP was tasked with issuing a survey to identify how individual teams and services manage their complaints.

The review will be in two phases which will comprise of:

Phase 1 an assessment of the current complaints process in place by the use of a questionnaire, to be sent to all Heads of Service/ Managers and relevant officers who undertake complaints handling currently. The resulting information will help to ascertain how the current complaints process is working and what improvements can be made. Any questions regarding the procedures can be clarified by talking to the relevant officers.

Phase 2 a comparison of the results from the survey against the expected controls that should be in place and a discussion about what needs to be done by using the new CRM to set up a new system for the processing of the complaints going forward.

2.5.2 **Summary of findings**

The key principles of an effective complaints procedure are to promote user satisfaction; to identify areas where services can be improved; to be accessible; and to reflect the organisation's desire to provide a high quality service. This means complaints should be

used as a source of intelligence to identify issues and introduce positive changes in service delivery.

The Council has in place a Complaints Policy however as the processing and monitoring is not centralised inconsistencies are apparent in their application and the level of records maintained, timeliness of responses and reporting undertaken.

An integrated system used to manage all complaints corporately would enable complaints to be processed consistently, promptly and fairly in line with Council policy and regulatory requirements; and provision of full management reporting and stats.

The recording of complaints and comments should allow for analysis of any patterns and/ or causes of complaints and these should be used to drive service improvements and thereby avoid similar complaints in the future.

Finally, further development of an effective complaints handling process once embedded could be to capture compliments. This would assist in highlighting recurring themes of good practice that could be disseminated across services to improve the customer experience and processes.

The outcome of the EKAP review concluded with four recommendations which management have accepted agreeing they will be taken into account as the new process is developed and the complaints policy is reviewed and updated.

2.6 EKS – Housing Benefit Testing 2022-23 - Not Applicable

2.6.1 Audit Scope

Over the course of the 2022-23 financial year the East Kent Audit Partnership will complete a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.6.2 Summary of findings

For the 2022-23 financial year (April 2022 to March 2023) 45 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification. Below is a summary table of the findings:-

A fail is now categorised as an error that impacts on the benefit calculation. However data quality errors are still to be shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

For 2022-23 a total of forty-five claims have been checked of which one (2.22%) had a financial error that impacted on the benefit calculation and one (2.22%) had a data quality error.

FOLLOW UP OF AUDIT REPORT ACTION PLANS

3.1 As part of the period's work, three follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

| Service / Topic | Original Assurance level | Revised Assurance level | Original Number of Recs. | | No. of Recs. Outstanding * | |
|---------------------------------------|--------------------------|-------------------------|--------------------------|---|----------------------------|---|
| | | | | | | |
| a) Recruitment | Reasonable | Substantial | C | 0 | C | 0 |
| | | | H | 2 | H | 0 |
| | | | M | 2 | M | 0 |
| | | | L | 6 | L | 0 |
| b) EKS Business Rates | Substantial | Substantial | C | 0 | C | 0 |
| | | | H | 0 | H | 0 |
| | | | M | 2 | M | 0 |
| | | | L | 4 | L | 0 |
| c) EKS Discretionary Housing Payments | Substantial | Substantial | C | 0 | C | 0 |
| | | | H | 3 | H | 0 |
| | | | M | 2 | M | 0 |
| | | | L | 3 | L | 0 |

*For Assurance and Recommendation priority definitions see Appendix 4

- 3.2 Details of each of any individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they would be escalated for the attention of the s.151 Officer and Members of the Audit Committee. There are none for this period.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

4.0 WORK IN PROGRESS

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Payroll, HMOs; Disabled Facilities Grants, and Absence Management.

5.0 CHANGES TO THE AGREED AUDIT PLAN

- 5.1 The 2023-24 audit plan was agreed by Members at the meeting of the Audit Committee that was held on 15th March 2023.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Head of Finance & Procurement (Section 151 Officer) to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high-profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

6.0 FRAUD AND CORRUPTION

There were no new reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended 30th September 2023 84.46 chargeable days were delivered against the planned target for the year of 230 days which equates to achievement of 36.72% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2023-24 is on target for Canterbury City Council.
- 7.3 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service

Attachments

- Appendix 1 Summary of high priority recommendations outstanding or in progress at follow up
- Appendix 2 Summary of services with Limited / No Assurance awaiting follow up
- Appendix 3 Progress to 30th September 2023 against the agreed 2023-24 Audit plan.
- Appendix 4 Assurance Statements
- Appendix 5 Balanced Scorecard

| SUMMARY OF CRITICAL/HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1 | | |
|---|---|--|
| Original Recommendation | Agreed Management Action, Responsibility and Target Date | Manager’s Comment on Progress Towards Implementation. |
| None This Quarter | | |

Appendix 2

| SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS YET TO BE REVIEWED | | | |
|--|------------------------------|---------------------------|-----------------------------|
| Service | Reported to Committee | Level of Assurance | Follow-up Action Due |
| Counter Fraud Arrangements | July 2023 | Limited | March 2024 |
| Housing Responsive Repairs & Maintenance | October 2023 | Limited | May 2024 |

Appendix 3

**PROGRESS AGAINST THE AGREED 2023-24 AUDIT PLAN
CANTERBURY CITY COUNCIL**

| Review | Original Planned Days | Revised Budgeted Days | Actual days to 30/09/2023 | Status and Assurance Level |
|--|-----------------------|-----------------------|---------------------------|--------------------------------------|
| FINANCIAL SYSTEMS: | | | | |
| Car Parking | 10 | 10 | 2.89 | Work in progress |
| Creditors | 10 | 10 | 0.12 | Quarter 3 |
| HOUSING SYSTEMS: Social Housing | | | | |
| Housing Contract Letting | 10 | 10 | 0.12 | Quarter 4 |
| New Build Capital | 10 | 6 | 0 | Quarter 4 |
| HOUSING SYSTEMS: General Fund Housing | | | | |
| HMOs | 10 | 10 | 0.15 | Work in progress |
| Homelessness | 10 | 10 | 0.14 | Quarter 3 |
| Disabled Facilities Grants | 10 | 10 | 0.11 | Quarter 3 |
| INFORMATION GOVERNANCE: | | | | |
| Data Protection | 10 | 10 | 0 | Quarter 4 |
| Freedom of Information | 10 | 12 | 12.00 | Finalised - Reasonable |
| ICT RELATED: | | | | |
| ICT Controls | 12 | 10 | 0.14 | Quarter 3 |
| CORPORATE GOVERNANCE: | | | | |
| Complaints Monitoring | 10 | 10 | 1.69 | Finalised - N/A |
| Contract Monitoring / CSOs | 10 | 10 | 0.42 | Quarter 3 |
| OTHER: | | | | |
| Liaison with External Auditor | 1 | 1 | 0.37 | Ongoing |
| Audit Committee Reports / Meetings | 10 | 10 | 7.52 | Ongoing |
| Audit Plan Prep / Meetings | 12 | 12 | 2.01 | Ongoing |
| Corporate Advice / MT | 2 | 2 | 2.67 | Ongoing |
| Section 151 Meetings & Support | 6 | 6 | 3.67 | Ongoing |
| Whitstable Harbour Accounts | 3 | 3 | 3.29 | Finalised |
| Newspaper House | 1 | 1 | 0 | Quarter 3 |
| SERVICE LEVEL: | | | | |
| Climate Change | 2 | 2 | 0 | Quarter 4 |
| Licensing | 10 | 10 | 6.07 | Finalised - Substantial / Reasonable |
| Market Income & Street trading | 6 | 6 | 0 | Quarter 4 |
| CILs | 10 | 0 | 0 | Deferred |

| Review | Original Planned Days | Revised Budgeted Days | Actual days to 30/09/2023 | Status and Assurance Level |
|--|-----------------------|-----------------------|---------------------------|----------------------------|
| HR RELATED: | | | | |
| Absence management | 10 | 10 | 0.14 | Work in progress |
| Payroll | 6 | 6 | 0.96 | Work in progress |
| Follow Up | 6 | 8 | 7.77 | Ongoing |
| FINALISATION OF 2022-23 AUDITS: | | | | |
| Counter Fraud Arrangements | 23 | 10 | 9.90 | Finalised - Limited |
| Recruitment / Leavers | | 1 | 1.14 | Finalised - Reasonable |
| Housing Responsive Repairs & Mtc | | 10 | 9.17 | Finalised - Limited |
| RESPONSIVE ASSURANCE: | | | | |
| Elections | 0 | 1 | 0.81 | Completed - N/A |
| Active Life | 0 | 10 | 9.13 | Finalised - N/A |
| LUF Grant Assurance | 0 | 1 | 0.10 | Ongoing |
| Governance re Local Plan Interests | 0 | 10 | 1.96 | Finalised - N/A |
| TOTAL | 230 | 230 | 84.46 | 36.72% |

**PROGRESS AGAINST THE AGREED 2023-24 AUDIT PLAN
EAST KENT SERVICES**

| Review | Original Planned Days | Revised Planned Days | Actual days to 30/09/2023 | Status and Assurance Level |
|--|-----------------------|----------------------|---------------------------|----------------------------|
| EKS REVIEWS: | | | | |
| Housing Benefits Administration | 15 | 13 | 12.70 | Finalised - Substantial |
| Housing Benefits Testing | 20 | 14 | 13.55 | Finalised - N/A |
| Council Tax Reduction Scheme | 15 | 15 | 0.16 | Quarter 3 |
| Customer Services | 15 | 8 | 0.06 | Quarter 4 |
| Transition Governance | | 15 | 0.14 | Work in progress |
| OTHER: | | | | |
| Corporate/Committee | 4 | 4 | 3.10 | Ongoing |
| Follow Up | 2 | 2 | 0.11 | Ongoing |
| FINALISATION of 2022-23 AUDITS: | | | | |
| Debtors | 2 | 2 | 1.45 | Finalised - Substantial |
| Data Management Desegregation Project | 1 | 1 | 1.55 | Finalised - Reasonable |
| Total | 74 | 74 | 32.82 | 44.35% |

Appendix 4

Definition of Audit Assurance Statements & Recommendation Priorities

Cipfa Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP - Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

Balanced Scorecard

| <u>INTERNAL PROCESSES PERSPECTIVE :</u> | <u>2023-24 Actual</u> | <u>Target</u> | <u>FINANCIAL PERSPECTIVE:</u> | <u>2023-24 Actual</u> | <u>Original Budget</u> |
|--|---------------------------|---------------|--|---------------------------|----------------------------|
| | Quarter 2 | | Reported Annually | | |
| Chargeable as % of available days | 87% | 90% | <ul style="list-style-type: none"> • Cost per Audit Day | £ | £403.37 |
| Chargeable days as % of planned days | | | <ul style="list-style-type: none"> • Direct Costs | £ | £521,918 |
| CCC | 36.71% | 50% | <ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) | £ | £10,530 |
| DDC | 51.90% | 50% | <ul style="list-style-type: none"> • - 'Unplanned Income' | £ | Zero |
| TDC | 47.27% | 50% | | | |
| FHDC | 41.71% | 50% | | | |
| EKS | 44.34% | 50% | | | |
| Overall | 44.91% | 50% | <ul style="list-style-type: none"> • = Net EKAP cost (all Partners) | | £532,448 |
| Follow up/ Progress Reviews; | | | | | |
| <ul style="list-style-type: none"> • Issued • Not yet due • Now due for Follow Up | 28 44 18 | - - - | | | |
| Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details) | Partial | Partial | | | |

| <u>CUSTOMER PERSPECTIVE:</u> | <u>2023-24 Actual</u> | <u>Target</u> | <u>INNOVATION & LEARNING PERSPECTIVE:</u> | <u>2023-24 Actual</u> | <u>Target</u> |
|---|----------------------------------|----------------------|---|----------------------------------|----------------------|
| | Quarter 2 | | Quarter 2 | | |
| Number of Satisfaction Questionnaires Issued; | 36 | | Percentage of staff qualified to relevant technician level | 61% | 60% |
| Number of completed questionnaires received back; | 11 | | Percentage of staff holding a relevant higher-level qualification | 50% | 50% |
| | = 31 % | | Percentage of staff studying for a relevant professional qualification | 0% | N/A |
| Percentage of Customers who felt that; | | | Number of days technical training per FTE | 2.21 | 3.5 |
| <ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. | 100% | 100% | Percentage of staff meeting formal CPD requirements (post qualification) | 50% | 50% |
| | 100% | 90% | | | |
| | 100% | 100% | | | |