

Tuesday, 16 July 2024

AUDIT COMMITTEE

A meeting of **Audit Committee** will be held on

Wednesday, 24 July 2024

commencing at **2.00 pm**

The meeting will be held in the Banking Hall, Castle Circus entrance on the left corner of the Town Hall, Castle Circus, Torquay, TQ1 3DR

Members of the Audit Committee

Councillor Brook (Chairman)

Councillor Fellows (Vice-Chair)

Councillor Hutchings

Councillor Long

Councillor Maddison

Councillor Penny

Co-opted Members of the Audit Committee

Kristian Hawkes

A Healthy, Happy and Prosperous Torbay

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Lisa Antrobus, Town Hall, Castle Circus, Torquay, TQ1 3DR

Email: governance.support@torbay.gov.uk - www.torbay.gov.uk

AUDIT COMMITTEE AGENDA

1. **Apologies**
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 5 - 8)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 27 March 2024.
3. **Declarations of interests**
- 3(a) **To receive declarations of non pecuniary interests in respect of items on this agenda**
For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
- 3(b) **To receive declarations of disclosable pecuniary interests in respect of items on this agenda**
For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**
To consider any other items that the Chairman decides are urgent.
5. **Terms of Reference** (Pages 9 - 10)
To note the Audit Committee's Terms of Reference as approved by Adjourned Annual Council on 20 June 2024.
6. **2021/22 Torbay Council Audit Findings Report** (To Follow)
To consider a report on the above.
7. **2021/22 Statement of Accounts including Annual Governance Statement** (To Follow)
To consider a report that seeks approval of the Council's Statement of Accounts for 2021/22.

- | | | |
|------------|---|-------------------|
| 8. | 2023/2024 External Audit Plan To consider a report on the above. | (To Follow) |
| 9. | Annual Audit Report 2023/24 To consider a report that reviews work undertaken in 2023-24 and provides the opinion of Internal Audit on the overall adequacy and effectiveness of the Authority's internal control environment. | (Pages 11 - 36) |
| 10. | Annual Governance Statement 2023/24 To consider a report that provides the opportunity for the Council to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its Statement of Accounts and the probity of its operations. | (Pages 37 - 68) |
| 11. | Treasury Management Outturn 2023/24 Report To consider an annual report on the treasury management activities undertaken during the year 2023/24. | (Pages 69 - 90) |
| 12. | Risk Management Update To consider an update on the Council's current risk position and overall risk management arrangements. | (Pages 91 - 102) |
| 13. | Risk Assurance Report for Our Integrated Adult Social Care Services To consider a report on the above. | (Pages 103 - 120) |
| 14. | Performance Update: Collection of Council Tax & Non-Domestic Rates To consider a report regarding the collection of Council Tax, Non-Domestic Rates and corporate debt. | (Pages 121 - 126) |
| 15. | Counter Fraud and Error Update To consider a report on counter fraud activity undertaken for the period of 1 April 2023 to 31 March 2024. | (Pages 127 - 134) |
| 16. | Counter Fraud Plan To consider a report that sets out the current and future Counter Fraud plans supporting delivery of the Counter Fraud and Corruption Policy. | (Pages 135 - 138) |
| 17. | Audit Committee Assessment Introduction and Scope 2024-25 To consider a report on the above. | (Pages 139 - 142) |
| 18. | Work Programme To note the Audit Committee's work programme. | (Pages 143 - 144) |

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Minutes of the Audit Committee

27 March 2024

-: Present :-

Councillor Penny (Chairman)

Councillors Brook (Vice-Chair), Fellows and Long

Mr Kristian Hawkes (Independent Person)

23. Apologies

The Chairman welcomed Christian Hawkes, Independent Person and received apologies for absence from Councillors Harvey, Hutchings and Maddison.

24. Minutes

The Minutes of the meeting of the Audit Committee held on 24 January 2024 were confirmed as a correct record and signed by the Chairman.

25. External Audit of Accounts

Members noted a report that provided an update on the progress of the audit of the Council's financial statements for 2021/22, value for money, Housing Benefit Subsidy certification work and set out the fees for 2023/2024.

Liam Royle, Public Sector Audit Manager of Grant Thornton informed Members that work was continuing to ensure the audit of the financial statement for 2021/22 were completed by the end of April with reporting to Audit Committee expected in May. Members acknowledged the significant level of resource that had been required to reconcile the trial balance, working papers and draft accounts and were reassured that to date no material errors had been found.

26. Addressing the Audit Backlog in England: Consultation

Members noted the report that provided an update on the recent Department for Levelling Up, Housing & Communities (DLUHC) consultation on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog of audits and to put the system on a sustainable footing. Members were advised that the Council had responded to the consultation highlighting the challenge of working on multiple years accounts.

Members sought clarification as to what would happen with the 2022/23 accounts and what assurance they would gain from them. The Director of Finance advised that the

assurance would be very limited as Grant Thornton would not undertake an audit as the backstop option for 2022/23 Statement of Accounts would be utilised if the legislation proposed as part of the consultation was passed. However, the Director of Finance advised that at present the audit of the 2021/22 financial statements has not raised any major issues, therefore to some extent there shouldn't be any in 2022/23.

Members welcomed the suggestion of an informal workshop on the Statement of Accounts to aid understanding of a complex and technical report.

27. Internal Audit Charter and Strategy

Members noted the submitted report which detailed the Audit Charter and Internal Audit Strategy. The Head of the Devon Audit Partnership informed Members that the Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which was provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. The accompanying Audit Strategy had been designed to deliver the requirements outlined within the Charter.

28. Internal Audit Plan 2024-25

The Audit Committee noted the report that set out the Internal Audit Plan for 2024-25. The Head of the Devon Audit Partnership, informed Members that the audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. Members were advised that the Audit Plan had been developed following consideration of various factors including global risk themes, risks to the Council as outlined in the Council's risk register, and the views of Directors, Senior Officers and Members. The Audit Plan needed to be flexible in order for Internal Audit to be more agile and responsive to changing risks, therefore as the year progresses, any changes to the Audit Plan would be agreed by the Section 151 Officer with the Audit Committee being notified via Internal Audit's monitoring reports.

Members queried the number of days allocated to Children's Services compared to Adult Services. Members were advised that Audit South West provided audit coverage for the adult social care services provided by the Integrated Care Organisation with the findings reported to the Director of Adult Services. Overall, Members concluded that the 2024-25 Audit Plan, compared to previous years seemed to be a 'reasonable fit'.

29. Risk Management Update

Members received an update on the council's current risk position and the council's overall risk management arrangements. Members were informed that the council had made very good progress in embedding its new risk management processes and implementing the actions as detailed in the Risk Management Improvement Plan. During November and December 2023 Devon Audit Partnership (DAP) carried out an internal audit of the Council's risk management. The outcome was pleasing considering the improvement journey that had taken place in a short period of time (two years). DAP were "reasonably assured" with the Council's documentation, processes and arrangements. A Phase 2 Risk Management Improvement Plan was

being drafted to embed the auditors' recommendations and continue the good work that had been achieved to date.

Members recognised the improvements made in the Council's approach to risk management and the efforts to embed risk management across the organisation. Members, did seek clarification regarding the direction of travel as there was the perception that risks had 'flat lined', with Members also noting inconsistencies with regards to the level of detail in the notes, suggesting some elements of the notes could be standardised, to provide the same level of detail across all risks.

Members noted the submitted report and requested:

- 1) future iterations track movement and trends from previous quarters; and
- 2) the Director of Corporate Services develop an element of standardisation for the notes.

30. Performance Update: Collection of Council Tax & Non-Domestic Rates

Members received the submitted report and were informed by the Head of Corporate Finance that Council Tax processing had reduced from 26 weeks to 8 weeks as previously reported and remains at 8 weeks showing signs of stabilisation. Members were advised that CIVICA on Demand was currently working with the Council's Corporate Debt Team, to look at the levels of Council Tax arrears that were recoverable.

Members noted the submitted report and requested the update be provided at every other meeting instead of every meeting.

31. Audit Committee Work Programme 2024/2025

Members noted the work programme and the following changes since its publication:

- 1) Performance Update: Collection of Council Tax and Non-Domestic Rates being reprogrammed for every other meeting; and
- 2) The 2023/24 Torbay Council Audit Findings Report (Grant Thornton) being moved to January 2025.

Chairman/woman

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Name and Terms of Reference**Audit Committee:**

1. To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
2. To consider summaries of specific Internal Audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of Internal Audit Services.
4. To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance.
6. To consider specific reports as agreed with the External Auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To liaise with the Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.
9. To commission work from Internal and External Audit within approved resources.
10. To support the Council's compliance with the CIPFA Code of Practice for Treasury Management in Public Services including the role as nominated Committee to be responsible for ensuring effective scrutiny of the capital strategy, treasury management strategy and policies.

Regulatory Framework

11. To maintain a strategic overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (the primary responsibility for considering and ensuring that the constitution is fit for purpose lies with the Monitoring Officer and the Standards Committee in relation to the codes of conduct).
12. To maintain a strategic overview of the Council's compliance with the prevailing Accounts and Audit Regulations.

| Name and Terms of Reference | |
|------------------------------------|---|
| 13. | To review any issue referred to it by the Chief Executive, a Director, the Monitoring officer, Section 151 Officer (Chief Finance Officer) or any Council body. |
| 14. | To monitor the effective development and operation of risk management and corporate governance in the Council. |
| 15. | To monitor council policies on 'Raising Concerns at Work' and the 'Anti-fraud and corruption strategy' and the Council's complaints process. |
| 16. | To consider the findings of reviews of the effectiveness of the system of internal control including the Annual Governance Statement and to recommend its adoption. |
| 17. | To oversee the Council's arrangements for corporate governance and consider necessary actions to ensure compliance with best practice. |
| 18. | To review the Code of Corporate Governance. |
| 19. | To monitor the Council's compliance with its own and other published standards and controls. |
| 20. | To maintain a strategic overview of the Council's compliance with the Regulation of Investigatory Powers Act 2000 (RIPA). |
| Accounts | |
| 21. | To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts. |
| 22. | On behalf of the Council, to consider and approve the annual statement of accounts. |

Internal Audit

Annual Audit Report 2023-24

Torbay Council Audit Committee

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May 2024

Official



Tony Rose
Head of Devon Audit Partnership

Jo McCormick
Deputy Head of Devon Audit Partnership

Lynda Sharp-Woods
Audit Manager

Support, Assurance and Innovation

Agenda Item 9

Introduction

The Audit Committee, under its Terms of Reference contained in Torbay Council's Constitution is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2023-24 was presented and approved by the Audit Committee in March 2023.

The following report and appendices set out the background to audit service provision; any updates to the agreed plan; a review of work undertaken in 2023-24 and provides our opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This progress report provides a summary of work completed to date that will help inform the annual assurance opinion.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- changes to the plan and the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Senior Leadership Team, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 4).

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Overall Opinion Statement

Based on work performed to date during 2023-24, our experience from previous years, the outcome of the Annual Follow Up exercise and the findings of the Assurance Mapping exercise, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".

Our audit planning process is both risk based and agile, as such our resources, and consequently our annual report will inevitably focus upon higher risk areas.

This opinion statement provides Members with an indication of the direction of travel for their consideration for the Annual Governance Statement (see appendix 4).

Assurance over arrangements for adult social care is mainly provided by colleagues at Audit South West, the Internal Audit provider for Health Services. They provide a letter and statement of assurance to the Council which is separately shared with Audit Committee.

The Authority's internal Audit plan included specific assurance, risk, governance, and value-added reviews which, together with prior years audit work and assurance mapping activity, provided a framework and background within which we assessed the control environment.

The reviews in 2023-24 have informed the Head of Internal Audit's Opinion. If significant weaknesses have been identified, these will need to be considered by the Authority in preparing its Annual Governance Statement as part of the 2023-24 Statement of Accounts.

In carrying out reviews, Internal Audit assesses whether key, and other controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management, and these are reviewed during subsequent audits or as part of a specific follow-up.

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective, and efficient use of resources, compliance with established policy, procedure, law, and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs.

Risk Management

We are aware that Risk Management (RM) has significantly developed within the Performance and Risk Framework with a new risk process in place, including the use of SPAR.net.

We have provided an opinion of reasonable assurance for Risk Management (see page 3).

We maintain involvement through DAP's Risk Management arm when support is requested.

Performance and RM continues to be reported to Senior Leadership Team (SLT), Audit Committee and Overview and Scrutiny. As reported to July 2023 Audit Committee, Directors are embedding risk conversations into meetings.

Governance Arrangements

Arrangements are generally reviewed within our Project Assurance provision.

The Information Governance Steering Group provides overarching governance in relation to information security, cyber governance, management, and compliance.

Finance, Ethics and Probity (FEP) maintain governance over issues within their remit.

We provide all our Internal Reports for consideration within the Annual Governance Reporting process. Some reports provide assurance regarding governance responsibilities such as IG and Data Quality, Subject Access Request, Safety Valve and Commissioning audits (see page 3).

Performance Management

As detailed under Risk Management, the Performance Framework has seen significant development. The 2023-24 audit of Performance Management was deferred pending further development and embedding.

Irregularity and whistleblowing complaints, alongside the work of the Corporate Fraud Officer are also reported to Audit Committee.

Budget performance is monitored by SLT and full Council.

Children's Services Sufficiency Strategy and Medium-Term Financial Plan (MTFP) are monitored by SLT.

| | | | |
|------------------------------|---|--------------------------|--|
| Substantial Assurance | A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives. | Limited Assurance | Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved |
| Reasonable Assurance | There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives. | No Assurance | Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives. |

Summary Assurance Opinions

| Service Area Overview of Audit Coverage | | | | |
|--|---|--|---|--|
| Corporate and Financial Services | Pride in Place | Children's Services | Adult Services including Community and Customer Services | Public Health |
| ICT Key Financial Systems Registrars Apprenticeship Levy Follow Up Key Financial Systems: Asset Register; Treasury Management; General Ledger and Bank Reconciliation; Income Collection; Payroll; Benefits and Council Tax Support Scheme; IBS Open Systems; Creditors and POP. Working Age Council Tax Reduction Implementation Risk Management Health and Safety Coroners Follow Up Information Governance and Data Quality (CCTV) IT Asset Management IT User Management Subject Access Request Processes Key Financial Systems: Debtors & Corporate Debt; FIMS System Admin; Treasury Management (Group Company Loans); Council Tax and NNDR; Civica W2. | Green Waste Collection Scheme Commissioning Torbay Harbour Authority Income Asset Management / TF System Follow Up Parking Follow Up S106 and Community Infrastructure Levy (CIL) SWISCo Commissioning (client role / management) Climate Change Public Toilets Contract Monitoring Follow Up Torbay Harbour Authority IT Sys Admin and Security Follow Up | Schools Financial Value Standards (SFVS) Maintained Schools Audit Programme Virtual Schools Follow Up Fostering and Connected Carers Youth Trust Transition Project Supporting Families Grants (Q1 and Q2) School Condition Allocation Grant Basic Need Funding Grant Safety Valve Recovery Plan Progress | Cost of Temporary Accommodation across services in Torbay Service Delivery Interdependencies (cross Directorate - Adults; Children's; Public Health) | Healthy Behaviours Service - Procurement of the Service (Note: originally this was Mental Health Commissioning and Performance Management, with the audit topic changed to Health Behaviours at the request of the client) |
| Operational Counter Fraud resource Operational secondment to energy grant processing Business Improvement and Change Tax Compliance Project Group IG Steering Group HB Subsidy Additional 40+ Testing HB Subsidy (Work Ongoing) Assurance Mapping Phase 2 IT Service Review National Fraud Initiative (NFI) Payroll Matches | Bus Subsidy Grant Local Transport Capital Block Grant Local Growth Fund (Torquay Gateway) Grant TDA Insourcing Project Local Growth Fund (Torbay Business Centre) Grant Biodiversity Net Gain Grant | | | |

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Key: **Green** = Substantial or Reasonable **Amber** = Limited **Red** = No Assurance **Blue** = Opportunity or Value Added

Assurance Map

This is the summary of the completed Phase 1 and Phase 2 of the assurance mapping exercise. At Phase 1 stage a full version of the map was provided to Audit Committee as part of Internal Audit reporting. The fully completed assurance map (Phase 1 and 2) has been summarised by considering the proportions of RAG ratings and the significance of the related line of defence categories.

The first, third, regulator and external audit lines of defence are based on the services' own assessment of their area. The second line of defence is determined by the Council's second line service areas.

The assurance mapping exercise was welcomed by the Senior Leadership Team, who have established a framework within which the map will be maintained going forward.

The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- An Assurance Map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk, and internal control.
- It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.
- It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.
- Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.

Torbay Council - Assurance Map Summary

| Directorate | Director | Business Operation - 1st line Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance | | | | | | | | | | | | | | Financial, Corporate and Governance - 2nd line Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance. | | | | | | | | | | | Independent Assurance - 3rd line Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance. | | | | | | | Regulators Legal, Government other inspection and compliance review | | External audit | |
|---|------------------------|--|---|---|---|---|---|---|---------------------|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|---|-----|--|-----|-----|-----|-----|-----|------------|--|------------|----------------|-----|
| | | Internal Control Measures | | | | | | | Management controls | | | | | | | | | | | | | | | | | | | | | | | | | Summary of Regulators | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | |
| Corporate Services | Matthew Fairclough-Kay | G | G | G | G | G | G | G | G | G | G | G | A | G | A | G | G | G | A | A | G | G | G | G | A | G | N/A | G | A | G | G | G | Reasonable | G | G | | |
| Children's Services - Safeguarding | Nancy Meehan | G | G | G | G | G | G | G | G | G | G | G | A | G | G | G | G | A | A | A | A | A | G | G | G | N/A | G | N/A | G | G | G | G | G | Reasonable | G | N/A | |
| Children's Services - Education, Learning and Skills | Nancy Meehan | G | A | G | G | G | G | G | G | G | G | G | A | A | G | G | A | G | G | A | A | A | G | G | G | G | A | G | N/A | N/A | G | G | G | N/A | Reasonable | G | G |
| Adults Services | Joanna Williams | G | A | G | G | G | G | G | G | G | G | G | G | G | G | A | A | A | A | A | A | R | G | G | G | G | N/A | G | N/A | N/A | N/A | G | A | N/A | Limited | A | N/A |
| Community and Customer Services | Joanna Williams | G | G | G | G | G | G | G | G | G | G | G | G | G | G | G | G | A | A | G | A | G | G | G | G | A | G | N/A | G | G | G | G | G | Limited | G | G | |
| Public Health (most are commissioned services) | Lincoln Sargeant | G | G | G | G | G | G | G | G | G | G | G | G | G | A | G | G | G | A | G | G | G | G | G | G | N/A | G | N/A | A | N/A | A | N/A | N/A | Reasonable | G | N/A | |
| Pride in Place - Maritime and Coastal Services | Alan Denby | G | A | G | G | G | G | G | A | A | G | A | G | G | G | G | G | G | A | A | G | G | G | G | G | N/A | A | N/A | N/A | N/A | N/A | N/A | N/A | Limited | G | N/A | |
| Pride in Place - Wholly Owned Companies | Alan Denby | | | | | | | | | | | | | | | | G | A | R | A | A | G | A | A | G | A | A | | | | | | | Limited | N/A | N/A | |
| Pride in Place - Economy, Environment, and Infrastructure | Alan Denby | G | G | G | G | G | G | A | G | G | A | A | G | A | A | | G | A | R | A | G | G | G | G | G | N/A | A | | | | | | | Limited | G | N/A | |
| Pride in Place - Planning, Housing, and Climate Emergency | Alan Denby | A | A | G | G | G | G | A | G | G | A | A | A | A | G | G | G | G | A | A | G | G | G | G | G | G | R | G | N/A | N/A | A | A | A | Limited | A | N/A | |
| Finance | Malcolm Coe | G | G | G | G | G | G | A | G | A | A | A | A | A | G | | G | G | A | G | G | G | G | G | G | N/A | A | N/A | N/A | G | G | G | N/A | Reasonable | G | G | |

To fit the Assurance Map into the summary above we have removed column headings and replaced them with reference numbers. For the purposes of cross reference, a list of column headings against the substitute numbers has been defined.

The following table sets out the details of the column headings linked to the reference numbers in the summary above.

| Original Column Headings from the Full Assurance Map | | | |
|--|---|---|---|
| First Line - Internal Control Measures | 1. IT Systems: Administration Access Standing Data Updates 2. Data Quality: Input/Output/Accounting/Arithmetic 3. Fraud: Prevention/Detection 4. Authorisation 5. Supervisory 6. QA Activities 7. Separation of Duties | First Line - Management Controls | 1. Governance: Strategies, business plans, policies, procedures 2. Governance: Organisations structure, reporting lines, delegated responsibilities 3. Monitoring: Management information 4. Personnel: Staffing levels, competencies, training, performance 5. Resilience: Business Continuity Plans and testing 6. Risk Registers 7. Performance: Measures, indicators, benchmarking 8. Supply chain: Third party, partner resilience, contracts |
| Second Line | 1. Financial Services 2. Legal Services 3. Counter Fraud 4. Health and Safety 5. Emergency Planning 6. Information Governance 7. IT Security 8. Strategy and Policy Development 9. Committee Oversight 10. Project Boards 11. Risk Management | Third Line | 1. Accreditation: e.g., ISO9001/27001 2. Compliance: Security, resilience, quality 3. ICT: Pen testing, resilience, compliance 4. Peer/Strategic Partner Reviews 5. Consultant Reviews 6. Other third-party reviews 7. Internal Audit |

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We believe internal audit activity can add value to the organisation and its stakeholders by:

- providing objective and relevant assurance,
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported below:

Annual Follow Up Activity

As part of adding value, we have completed follow up reviews to provide updated assurance to Officers and Members. This follow up activity is an opportunity to facilitate, review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation's strategic management arrangements.

We reviewed seven audits previously reported as Limited Assurance; these were: AMS and Tech Forge; Apprenticeship Levy; Coroners; Parking; Public Toilets (Contract Monitoring); Tor Bay Harbour Authority IT Systems; and Virtual School.

The outcomes are shown in the table at page 3. Five audits remain as Limited Assurance and two have been uplifted to Reasonable Assurance; these are Apprenticeship Levy and Virtual School.

Although not part of the annual follow up activity, the Debtors and Corporate Debt audit was a follow up of 2022-23 work. The outcomes of this were separately reported to Audit Committee in December 2023.

Corporate Services and Financial Services

- Ongoing engagement in Business Improvement and Change programmes and projects (primarily Council Redesign Programme).
- Provision of Local Government articles and guidance.
- Attendance at and support to Finance, Ethics and Probity Group.
- Attendance at and support to the Council's Information Governance Steering Group and the Council's Tax Compliance project group.

- Support to the Council's Data Protection Officer in the provision of Freedom of Information (FOI) and Subject Access Request (SAR) data.
- Completion of additional prior year Housing Benefits subsidy testing.
- Advice regarding the Housing Benefit overpayment recovery process.
- ICT horizon scanning, including Cyber defences, Artificial Intelligence, and updates to National Cyber Security Centre (NCSC) guidance.
- Advice regarding the use of the Westcountry Savings and Loans, and Wagestream product.
- Phase 2 Assurance Mapping to support the annual governance statement and risk management development.
- Quarterly meetings with the Counter Fraud Officer.
- Support to the Working Age Council Tax Reduction project.
- Support to the Customer Services review project.
- Engagement in the Transforming Procurement project.
- Engagement in the Payroll System implementation project.
- Support to the IT Service review.
- Secondment to support energy grant processing.
- Resource for Counter Fraud investigation.
- Support to the NFI Payroll matches review.

Pride in Place

- Support to the TDA project.
- In addition to the planned grant work, inclusion of the Local Growth Fund Grant (Torquay Gateway and Torbay Business Centre) certifications.
- Support to S106 and CIL governance arrangements in collaboration with Pride in Place and Finance following completion of the audit.

Children's Services

- Engagement with the Liquid Logic project post go-live.
- Certification of Supporting Families grants.
- Support and provision of information in relation to the Torbay Youth Trust transition project.

Schools

- The SFVS Dedicated Schools Grant Chief Finance Office assurance statement submitted to the Department for Education.
- Ongoing delivery of the maintained schools plan.

Audit Coverage and performance against plan

The pie charts right show the breakdown of the audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart.

The plan was revised to accommodate the assurance mapping exercise. Responsibility for the Health and Safety function moved from Community and Customer Services to Corporate Services as reflected in the second chart.

The Key Financial Systems (KFS) work shown in the second chart includes completion of 2022-23 work; all KFS audits for 2023-24 have been completed in year. The Benefits Subsidy work remains ongoing, and work continues in the 2024-25 year. The 'Other Chargeable' time incorporates development of the collaborative 2024-25 audit plan preparation approach.

The Summary Assurance Opinions table on page 3 provides details of the audits undertaken in 2023-24. Where a 'Substantial' or 'Reasonable' standard of audit opinion has been provided we can confirm that overall, sound controls are in place to mitigate exposure to risks identified.

Appendix 1 to this report provides a summary of the Limited Assurance audits undertaken during 2023-24.

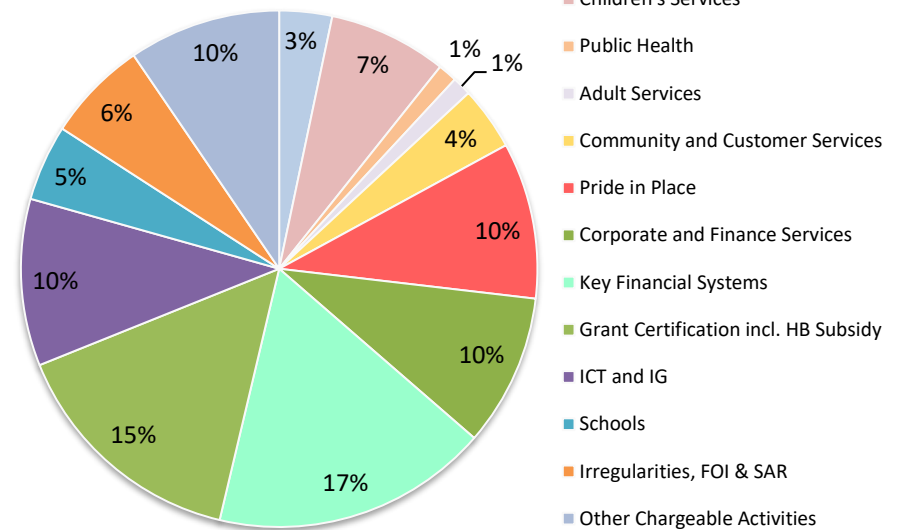
Where an opinion of "Limited assurance" has been provided then issues were identified during the audit process that required attention.

We have provided a summary of some of the key issues reported that are being addressed by management and we are content that management are appropriately addressing these issues.

When we prepare our plans, we assess the number of days that an audit is likely to take. When the fieldwork is completed, there is inevitably a variance from the planned days. In addition, we provide an allowance for work on areas such as irregularities and in some years the requirement will exceed the planned budget, in others the need for our resource will be less than planned.

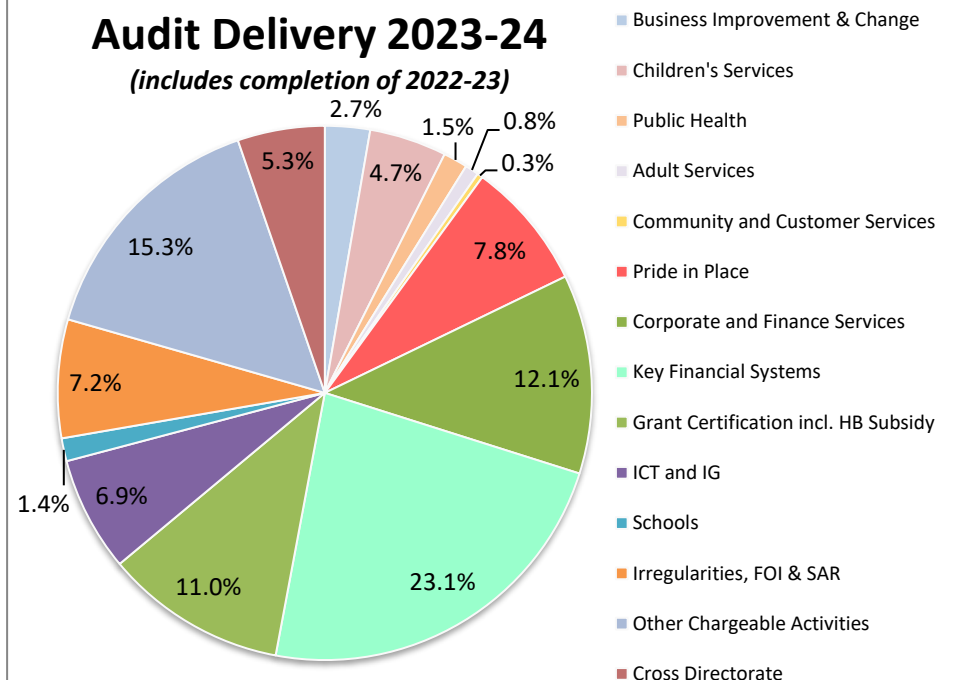
It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.

Audit Plan 2023-24



Audit Delivery 2023-24

(includes completion of 2022-23)



Irregularities Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice [Code of practice on managing the risk of fraud and corruption | CIPFA](#) states that "Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management". Assessments state that there is an epidemic of fraud cases. Fraud now accounts for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years ([see Fraud and the Justice System](#)). The government has responded with formation of the Public Sector Fraud Authority. It is important that councils have effective measures to reduce the risk and impact of fraud. Management can refer any suspected issues to the Corporate Fraud Officer, Internal Audit or the Finance, Ethics & Probity (FEP) Group.

Devon Audit Partnership (DAP) regularly liaise with the Corporate Counter Fraud Officer; the key outcomes of this role are the identification and investigation of external frauds and integration of fraud related aspects into our audit work. In relation to the Council's Counter Fraud investigations, DAP are providing operational counter fraud investigative resource to support capacity in the Council's Counter Fraud team. We have also supported the review of the Council's Whistleblowing Policy.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years. NFI activity on behalf of the Council is now undertaken by the Corporate Fraud Officer, with Internal Audit providing support in relation to Payroll matches.

We have continued to provide support to the Council's FEP Group; and undertake daily monitoring and management of the Council's Whistleblowing Inbox. We interrogate the Council's email archive system to support investigations, Freedom Of Information and Subject Access Requests.

Irregularities – During 2023/24, Internal Audit have carried out or assisted in **13** new irregularity investigations. Analysis below:

| Issue Classification * | 2023/24 Number (whole year) | 2022/23 Number (whole year) | 2021/22 Number (whole year) | 2020/21 Number (whole year) |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Poor Procedures | 4 | 11 | 2 | 0 |
| Employee / Member Conduct | 7 | 1 | 7 | 9 |
| Financial Irregularities | 0 | 0 | 2 | 4 |
| IT Misuse | 0 | 1 | 1 | 0 |
| Tenders & Contracts | 1 | 0 | 2 | 2 |
| Support to IG and HR Investigations | 1 | 2 | 4 | N/A |
| Total | 13 | 15 | 18 | 15 |

* The 'Issue classification' title relates to the allegation made and may not be reflective of the investigation outcomes, which are summarised below:

- Support to IG and HR investigations - This work is limited to provision of emails from the archive solution, and we have no further involvement.
- Poor Procedures – Of the four matters raised, one has been concluded and reported to Overview & Scrutiny Board; and three remain ongoing.
- Employee / Member Conduct – Of the seven matters, four were found to be unsubstantiated, and three have investigation work ongoing.
- Tenders and Contracts – this was found to be substantiated in part and reported to Audit Committee and processes strengthened.

Summary details as follows: - Some irregularity investigations are as a result of allegations made by whistle blowers. In addition, we have supported Information Governance and Human Resources with the provision of emails in relation to their investigations.

Freedom of Information / Subject Access Requests and Referrals made under the Unacceptable Behaviour Policy: -




We assisted with **four** requests under Freedom of Information and Data Protection requirements or the Unacceptable Behaviour Policy in 2023-24.

Appendix 1 – Summary of Limited Assurance audit reports and findings for 2023/24


Risk Assessment Key

- ANA - Audit Needs Assessment risk level as agreed with Client Management
- Client Request – audit at request of Client Senior Management



Direction of Travel Assurance Key

-  action plan agreed with client for delivery over appropriate timescales & is progressing.
-  action plan agreed and is being progressed though some actions are outside of agreed timescales or have stalled.
-  action plan not fully agreed, or we are aware progress has stalled or yet to start.
* report recently issued; assurance progress is of managers feedback at debrief meeting




The table below excludes all the Audit areas examined where the Assurance Opinion was ‘Reasonable’ or ‘Substantial’, or where our work was deemed ‘Added Value’. A full representation of our work and the resulting assurance opinions can be seen in the chart on page 3 of this report. Where the Assurance Opinion column is coloured, this is to highlight that the audit report has been agreed and issued in Final. Those in grey remain in draft.

| CORPORATE SERVICES and FINANCIAL SERVICES | | | |
|--|--|---|---|
| Risk Area / Audit Entity | Audit Report | | |
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| ICT and Information Governance | | | |
| IT Asset Management - deep dive (ANA – High) | Status: Final Limited Assurance | <p>IT asset management (also known as ITAM) is the process of ensuring that all IT assets are accounted for, deployed, maintained, upgraded, and disposed of securely.</p> <p>Our work identified that there is a knowledgeable team in place to direct the ITAM function and that new processes are being developed to enhance the process. As an example, the PC Support Team are now creating Device Damage Reports which are attached to non-repairable asset records, providing insight on why assets have been withdrawn.</p> <p>However, overall, the control framework needs to be strengthened and the significant findings are summarised below.</p> <ul style="list-style-type: none"> - There is no single inventory of ICT assets used in the organisation. - There is no defined role with overall responsibility for maintaining all IT assets throughout the organisation. - Device discovery tools are not used to identify assets that have not connected to the TC network within a defined period of time. - The asset inventory contains inaccuracies, including IT not being aware of who has ownership of certain devices. - There are weaknesses in the physical security of the storage room used to store IT user devices. |  |



CORPORATE SERVICES and FINANCIAL SERVICES

| Risk Area / Audit Entity | Audit Report | | |
|--|---|---|---|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| Information Governance – Data Quality and Records Management (CCTV) (ANA – High) | Status: Final Limited Assurance | <p>Whilst comprehensive corporate policies and procedures are in place in relation to information governance and data quality, we found that a number are overdue for review based on the written process that all such policies will be reviewed every 2 years. Similarly, the corporate Record Retention Schedule appears not to have been subject to an overarching review for several years. Corporate mandatory iLearn information governance training is also in place, however, there appears to be no reporting on performance in relation to staff completion of the training; we acknowledge that there is a pending relaunch of the iLearn information governance training with intention for completion rates to be reported to the Council’s IG Steering Group.</p> <p>Specifically in relation to CCTV, the Record Retention Schedule appears not to have been reviewed for several years and does not align with regulatory guidance, in addition clarity is required in relation to responsibility for the CCTV Information Asset Register entry. We noted that retention of CCTV data may be excessive in relation to requests for data and have recommended that this be reviewed. Further we have recommended a strengthening of controls in terms of the life cycle of the data where CCTV data is passed to other departments of the Council.</p> |  |
| Subject Access Request Processes (ANA – High) | Status: Final Limited Assurance | <p>Whilst it is pleasing to note that our sample testing confirmed compliance with the Subject Access Request (SAR) process itself, i.e., the process steps being undertaken, there remains concern that the Council is still unable to meet the statutory deadlines for responding to SARs. We noted that there has been an improvement since recruitment in August 2022 of further dedicated SAR staff (currently 2.2 FTE). However, although the performance statistics do demonstrate improvement, the Council remains significantly below the intended target of 95% (currently 46% in Q2 of 2023/24). As such the Council remains vulnerable to the associated reputational and financial risk. We would draw your attention to an ICO article which outlines examples of action the ICO have taken against seven organisations that failed to comply with SAR legislation. As the article shows, there are various organisations included, three of them being Local Authorities Action taken against SEVEN organisations who failed in their duty to respond to information access requests ICO. Whilst we appreciate that SAR response times are being managed through the Council’s Performance and Risk Management Framework, we have made recommendations that this requires further review and consideration, or acceptance of the risk this still poses.</p> <p>We identified a number of areas where there is potential for further process efficiencies to be implemented and have made recommendations which would reduce labour intensive manual tasks and intend to improve SAR response times. The Head of IG has developed a dashboard for managing SARs and is also currently developing a detailed Standard Operating Procedure (SOP). We have provided support to the SOP process by flow charting the SAR process based upon our audit work. There is clearly a drive and commitment within the IG Team to comply with all aspects of the SAR legislation, however compliance is significantly impacted, in part due to the reliance on provision of data from Departments which is consistently outside of the required timescales.</p> |  |




CORPORATE SERVICES and FINANCIAL SERVICES

| Audit Report | | | |
|--|---|---|---|
| Risk Area / Audit Entity | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| User Management - deep dive (ANA – High) | Status: Final Limited Assurance | <p>Identity and access controls are a set of processes that document and control access to networks and information systems that support the organisations essential functions.</p> <p>Torbay’s IT department have experienced and knowledgeable staff who own certain parts of the access controls and user management processes. There is a framework of IT Security Policies, which are reviewed and approved by the Information Governance Steering Group. Training in relation to cyber security is available to staff, with additional supporting information provided.</p> <p>It should be noted that the ‘Limited Assurance’ opinion relates primarily to the weakness in the control framework arising from reliance on Management for notification of internal transfers and leavers. The internal IT processes themselves are reasonably robust.</p> <p>However, some processes could be strengthened, and the significant findings are summarised below:</p> <ul style="list-style-type: none"> • The completion rates of Information Governance and Data Protection e-learning modules are lower than what would be expected (completion percentages of 78% and 76% respectively). • IT are reliant on Managers informing them if a staff member leaves the organisation. • There have been known instances of a leaver profile retaining access to their account. • Agency worker leaver reports are not provided to / reviewed by Operations Support. • There are no pre-approved templates / or the requirement for the requester to explicitly state what a new user account requires access to. • IT are not always made aware when a staff member moves department / role within the organisation. • Key issues identified in the FIMS System Admin and Open Revenue System Admin audits which are being progressed outside of this review. |  |
| Other | | | |
| Coroners Follow Up | Status: Final Limited Assurance | <p>During discussions with Legal Services and the Director of Corporate Services, we were advised that there have been a number of changes, including the retirement of the Coroner, following which (per Ministry of Justice - MoJ) there is a requirement to review arrangements with a view to mergers, ultimately supporting the MoJ drive to reduce the number of Coroner positions across the Country.</p> <p>We have therefore agreed for the Council to pause progression of the management actions, pending the review outcomes. We understand that the management actions will be picked up within any new arrangements established, and Internal Audit appraised of progress and reviewed timescales.</p> |  |
| Health & Safety (ANA – High) | Status: Final Limited Assurance | <p>We identified evidence of ongoing development of the Health and Safety (H&S) control framework and the H&S team. The Health and Safety Policy is in place but is now overdue for review and approval due to unforeseen delays. We also identified that arrangements for Auditing and Reporting Procedures are under review and formal procedures are expected to be published soon.</p> |  |

CORPORATE SERVICES and FINANCIAL SERVICES

| Audit Report | | | |
|---|---|---|---|
| Risk Area / Audit Entity | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| Page 23 | | <p>There were some inconsistencies in the way in which training records are maintained. We understand there is an ongoing project to update all employees training records. Policy requires that contractors are provided with H&S training, however this is not being evidenced and recorded.</p> <p>There are processes in place for the reporting, recording, and investigating of H&S incidents which is actively used. Improvements can be made to ensure that SHE Assure (H&S system) records are updated.</p> <p>We found that H&S risk assessments was also an area where a significant overhaul and update remains necessary. We understand that a Risk Assessment Policy has yet to be produced. We are unable to determine whether recent risk assessments have been undertaken in line with procedures. Based on our testing, some departments across the council are not actively undertaking risk assessments, this could result in a higher number of incidents and non-compliance with H&S regulations.</p> <p>We have been advised by HR and Payroll that employees are required to prove they have a valid driving license, and that their vehicle is adequately insured if used for Council business. Testing found that insurance records are not consistently maintained for all employees. Where officers drive Council vehicles, appropriate policies and arrangements exist, but the Council is not provided with compliance performance monitoring information from SWISCo.</p> <p>Post Covid-19 and due to changes to home working practices, it is essential that consideration of the sufficiency of first aiders and fire marshals is established. Clarity in relation to responsibility for H&S in public spaces should be established and monitored.</p> | |
| Key Financial Systems | | | |
| Debtors and Corporate Debt (follow up audit) (ANA – High) | Status: Final Limited Assurance | <p>It is pleasing to note that recommendations previously made are now being addressed through the Customer Services Project which is led by the s151 Officer and supported by a project manager from the Business Improvement and Change Team. Despite the relatively recent commencement of the project, a few recommendations have already been addressed and project plans are in place to ensure that the remaining recommendations are addressed by April 2024.</p> <p>We will follow up progress again in the 2024-25 audit, but in the meantime, we are attending project meetings and providing advice to the Customer Services Project.</p> <p>Whilst we are not yet able to change our assurance opinion, we can confirm a positive direction of travel with a comprehensive management action plan in place to ensure that all recommendations and intended actions are progressed in a timely manner.</p> |  |
| FIMS Sys Admin (ANA – High) | Status: Final Limited Assurance | <p>The system access control environment for FIMS remains robust. We identified some inconsistencies in practice which are expected to be addressed through the online access request form process and note that some of the previously agreed actions will also be addressed this year.</p> |  |



CORPORATE SERVICES and FINANCIAL SERVICES

| CORPORATE SERVICES and FINANCIAL SERVICES | | | |
|--|---|---|---|
| Risk Area / Audit Entity | Audit Report | | |
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| | | Our 'Limited Assurance Opinion' relates to the lack of segregation of duty created by the breadth of work undertaken by the FIMS System admin team i.e., both system administration activities and system transactional activities. Whilst the associated risks have previously been accepted by management, it is pleasing to note that a project is now underway to review and amend access rights to support better segregation of duty. | |
| Treasury Management (Group Company Loans) (ANA – Medium) | Status: Final Limited Assurance | We have concerns in relation to records management for group company and commercial loans made by the Council. Whilst there is an 'advised' process and governance framework in place, our sample testing found that there were inconsistencies in information held, with no single location to evidence compliance or support the loan lifecycle. Without a documented and adhered to governance framework, the Council is open to financial and reputational risk. |  |
| Civica W2 Sys Admin - (ANA – High) Page 24 | Status: Final Limited Assurance | <p>The Civica W2 system have established user management processes in place. Last year we made several recommendations to address weaknesses identified in relation to user management. A small number of these are being re reported.</p> <p>Testing for this year focussed on amendments that are made to the system, and we found that the updating of parameters was well controlled.</p> <p>Issues were identified in relation to data retention and hence compliance with current GDPR legislation. The Authority's data retention schedule is not being adhered to, and a number of recommendations have been made in this regard.</p> |  |
| Council Tax and Non-Domestic Rates - (ANA – Medium) | Status: Final Limited Assurance | <p>We do not have any significant concerns in relation to the areas that were sample tested this year, namely refunds, recovery stop codes and performance monitoring. Although the control environment could be strengthened in these areas, only a small number of issues were found during sample testing in terms of appropriateness or accuracy of processing.</p> <p>There are, however, many previous recommendations that, although agreed, have yet to be implemented, some of which have been ongoing for several years. It would be good to see those relating to the re-introduction of the quality control (QC) process and the rolling review of exemptions, discounts, and reliefs in particular, completed soon, as they are preventing a higher overall level of assurance from being given to the service area.</p> <p>It is acknowledged that the new 'Working Age Council Tax Reduction' scheme is in place from April 2024, which is now administered by the revenues section. We understand this scheme implementation has impacted usual work activities in terms of setting procedures, training, changing process maps and monitoring, which has delayed actioning some of the points raised in previous audits.</p> |  |



CORPORATE SERVICES and FINANCIAL SERVICES

| Risk Area / Audit Entity | Audit Report | | |
|---|-------------------|-------------------------------|-------------------------------|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| The following key financial systems audits are in progress: | | | |
| <ul style="list-style-type: none"> Benefits Subsidy - (ANA – Client Request) | | | |
| The following audits were deferred to the 2024-25 year at the request of the client: | | | |
| <ul style="list-style-type: none"> Capital Programme (focussed on Town Deal and Future High Streets) (ANA – Medium) – deferred due to the Capital Investment Programme currently undergoing a fundamental review. Firewall - deep dive (ANA – High) – deferred at the request of the client to accommodate consultancy for the IT Services Review. Democratic Services and Member Allowances - (ANA – Medium) Elections – (ANA – Medium) Printing (contract management) – (ANA – Medium) Procurement of IT Solutions - (ANA – Medium) CRM System – following implementation - (ANA – High) | | | |
| A number of these were deferred to accommodate phase 2 of Assurance Mapping. | | | |




PRIDE IN PLACE

| Risk Area / Audit Entity | Audit Report | | |
|---|---|--|---|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| Public Toilets Contract Monitoring Follow Up | Status: Final Limited Assurance | <p>From the follow up work undertaken, and responses provided by Management, it is pleasing to note that some progress has been made, however a vast majority of these remain ongoing.</p> <p>In particular the ongoing management actions relate to establishment of a wider SLA between the Council and SWISCo, Contract variation that has been delayed pending projects related to other sites, ongoing development of Performance Indicators and associated reporting, and the technical post that is now vacant, with a recruitment exercise in progress.</p> |  |
| Tor Bay Harbour Authority – Income (ANA – Medium) | Status: Final Limited Assurance | <p>The established processes for charging and invoicing service users have been maintained. However, issues previously identified regarding recharging of gas and electricity for chillers at Brixham remain unresolved by the TDA. Similarly, the lack of Torbay Harbour Authority knowledge regarding service charges made by the TDA to Lessees remains. We noted that there is a potential missed opportunity in related to utilising the agreed and published admin fee when calculating and invoicing for recharges.</p> <p>As also previously reported, there are moorings which are unsuitable for many vessels that remain vacant. These should either be made more suitable if possible or be more robustly marketed in order to maximise this income opportunity. We noted that as was the case previously, rents for leased properties are not being reviewed by the TDA. We understand that the TDA view is that any review would not result in an increase in rents, however this is again a potentially missed opportunity to maximise income.</p> <p>Following a change in staffing structure at Brixham harbour there is uncertainty that the Harbour Office team are made aware of all direct fish landings and as such there is a risk of fish toll not being charged for all direct landings taking place.</p> |  |


PRIDE IN PLACE

| Risk Area / Audit Entity | Audit Report | | |
|--|---|--|---|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| SWISCo Commissioning (client role / management) (ANA – High) | Status: Final Limited Assurance | <p>SWISCo continues to develop and expand their business, with the majority of works being provided on behalf of the Council in order to comply with LATCo Teckal requirements. The Council commissions these services through an established commissioning framework, including an agreement and supporting service agreements, policies, and procedures.</p> <p>Whilst it is clear that services are being provided and a commissioning framework exists, we identified areas where this can be further strengthened. We note from Management responses that the ongoing review of the commissioning agreement will incorporate further key performance indicators and service standards.</p> <p>We were unable to confirm that officers commissioning additional services from SWISCo outside of the core agreement always consider value for money aspects. We note the Management response that responsibility for ensuring the adequacy of the additional services commissioned rests with the relevant Council departments and will be supported by the agreement review.</p> |  |
| Climate Change (ANA – High) | Status: Final Limited Assurance | <p>Torbay Council has a Carbon Neutral Council Action Plan (otherwise referred to as the Climate Change Strategy) and at the time of the audit fieldwork were in public consultation with the Climate Emergency Action Plan which has now closed. We understand that the Council are not fully aware of the range of climate risks that relate to the Torbay area and at the time of the audit fieldwork were awaiting release of the Devon Adaptation Strategy (DAS) which will detail risks that Devon, Cornwall, and the Isles of Scilly face. Following this, the Council are intending to adapt the list to clearly identify those that are relevant to Torbay. We note that since completion of the fieldwork the draft DAS has been published for public consultation which has recently closed.</p> <p>In taking the Council's climate agenda forward it is vital that appropriate responsibilities are defined, with resources allocated, including financial and physical capacity. We were consistently advised of a lack of resource limiting capacity in achieving the targets set, delivering the training, and identifying potential grant funding. Training, both internal and formal qualification routes will need to be considered in order to effectively determine and assess the associated risks. Successful grant funding bids will support the Council in delivering its climate change objectives.</p> <p>We are able to evidence some engagement at Member level, however given that associated minutes did not always record specific climate change conversations, are unable to provide assurance in relation to how embedded the engagement is. In addition, given the relatively recently appointed Administration, there is opportunity to establish a new framework and provide appropriate training.</p> <p>We would recommend that in taking forward the climate agenda, the Council consider review and ongoing assessment against the 'Climate Change Risk - A good practice guide for Audit and Risk Assurance Committees' as used for this audit; compliance with which would provide a robust framework within which climate risks are managed.</p> |  |

Page 26

| PRIDE IN PLACE | | | |
|---|---|--|---|
| Risk Area / Audit Entity | Audit Report | | |
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| Asset Management / TF System Follow Up | Status: Final Limited Assurance | <p>From the follow up work undertaken, it is pleasing to note that significant progress has been made, with half of the management actions having been completed, others having been progressed in some way, or as originally stated the risk continuing to be accepted by management. Given the number that remain ongoing, and the nature of these management actions as outlined below the overall assurance opinion remains as 'Limited Assurance', albeit that we recognise the progress that has and continues to be made.</p> <p>In a number of cases, whilst proposals have been put forward to address the management actions, these are pending Council decision, and as such the associated risks remain. In particular, upcoming review of the AMP to ensure alignment with the Council's new priorities and objectives and completion of priority works, however an emerging issues paper has been issued and awaiting outcomes. In addition, a final decision in relation to a potential temporary uplift in budget is pending. Other areas ongoing relate to ongoing engagement with contractors, the need to establish and update KPI's, resolution of all outstanding inspections, and implementation of a new workload management system.</p> |  |
| Parking Follow Up Page 27 | Status: Final Limited Assurance | <p>From the follow up work undertaken we note that progress has been made, with just under a third of previously agreed management actions having been implemented. There remain a significant proportion that remain ongoing, noting that progress has been made, in particular a procurement exercise to establish consultancy support in developing a 5-year strategy; updated policies and manuals; establishing reporting mechanisms; ongoing collaboration with other Council departments; and strengthening the PCN and debt monitoring and recovery processes.</p> <p>Given that a large number of management actions remain ongoing, in our opinion the level assurance remains as 'Limited Assurance', albeit that we note the comments made in the follow up response in relation to ongoing capacity issues which are reported to have delayed progress in some areas.</p> |  |
| Torbay Harbour Authority IT Sys Admin and Security Follow Up | Status: Final Limited Assurance | <p>From the follow up work undertaken we note that some progress has been made against the previously agreed management actions. Notably the inclusion of cyber/IT risks in the Harbour operational risk register, and the strengthening of the Harbour Assist user management controls with the establishment of a dedicate System Administrator profile. A small number of risks have been accepted, primarily related to CCTV where we understand Harbour staff have no operational role.</p> <p>Although some progress has been made, a large number of actions remain either ongoing or outstanding with revised implementation dates having been established. These primarily being related to Harbour Assist supplier contractual compliance; staff training records; System compliance with Data Protection / Information Governance requirements; performance reporting; strengthening of user management practices; peer checks on tariffs and associated charges; ongoing FIMS and Harbour Assist integration issues; and further development of the Harbour business continuity plan and the need for the plan to be fully tested.</p> |  |


PRIDE IN PLACE

| Risk Area / Audit Entity | Audit Report | | |
|--|---|--|---|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| Section 106 and Community Infrastructure Levy (ANA – High) | Status: Final Limited Assurance | <p>The implementation of the new system (Exacom back office and the public facing module) along with the integrations, particularly into the Council's Finance and Income collection systems, and dedicated Officers to support the system and manage the obligations, provides the Council with a more robust technical solution within which planning obligations can be managed and associated income collected and spent in line with agreements going forward.</p> <p>However there is a need for a robust framework and process for the wider management. In this regard we have concerns relating to data quality and governance; allocation to projects; income; and key reliance's in terms of systems support. Following completion of our work, management have responded positively with appropriate frameworks and wider collaboration being established.</p> |  |

The following audits were deferred to the 2024-25 year at the request of the client:

- Land Release Fund (use of monies, adherence to conditions) - (ANA – High)
- Highways (commissioning, monitoring) - (ANA – High)
- Events - (ANA – Medium)

CHILDREN'S SERVICES

| Risk Area / Audit Entity | Audit Report | | |
|---|---|--|---|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| Fostering and Connected Carers (ANA – Medium) | Status: Final Limited Assurance | <p>Comprehensive procedures are in place for the arrangements for both fostering and connected carers.</p> <p>In terms of fostering, we found that practices were largely in line with procedures, although we noted that Foster Panel decisions are not always timely, and we identified issues with the completeness and inconsistencies in records maintained. In terms of ongoing supervision of fostering placements, again we found that practices were mainly in line with procedures, however arrangements for scheduling visits differed from that described in the procedures, unannounced annual visits were not timely, and we were unable to confirm that the Foster Carers Handbook had been provided to the foster carers. We acknowledge that elements of the foster placement process are reliant on the Child's Social Worker completing the relevant steps.</p> <p>In relation to connected carers, again we found that the practices we examined were largely in line with procedures. We have recommended clarification regarding the expected timing of the initial viability assessment especially in emergency situations.</p> |  |

CHILDREN'S SERVICES

| Risk Area / Audit Entity | Audit Report | | |
|--------------------------|-------------------|-------------------------------|-------------------------------|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |


The following audits were deferred to the 2024-25 year at the request of the client:

- Residential Placements - (ANA – Medium)
- Sufficiency Strategy Progress - (ANA – High)

ADULT SERVICES INCLUDING COMMUNITY AND CUSTOMER SERVICES

| Risk Area / Audit Entity | Audit Report | | |
|--------------------------|-------------------|-------------------------------|-------------------------------|
| | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |


Adult Services

| | | | |
|---|----------------------|--|---|
| Service Delivery Interdependencies (Adult Services, Children's Services and Public Health) (ANA – High, Client request) | Status: Final | Through discussions with key staff across the Council, we were advised of a number of interdependency projects/ workstreams that both included and relied upon effective cross directorate working. |  |
| | Limited Assurance | Whilst we were able to clearly identify a number of cross directorate interdependencies, our key concerns were around definition and recording of interdependencies, resulting in the inability to fully establish cross directorate responsibility, accountability, and collective achievement of outcomes. | |

The following audit was deferred to the 2024-25 year at the request of the client:

- Adult Services - ICO Sustainability and Improvement Plan (management and monitoring) - (ANA – High)

Community and Customer Services

| | | | |
|--|----------------------|---|---|
| Cost of Temporary Accommodation across services in Torbay (ANA – High) | Status: Final | Our work identified a vast amount of information across the Council in relation to Temporary Accommodation (TA) and Homelessness (Housing Options, Adult Social Care and Childrens Services). Whilst the level of information was substantial in some services, establishing a 'true and total' cost of TA and Homelessness was problematic and would require a significant level of data analytics, assuming all relevant data is available within the Council, which at the time of the audit was found to not be in place. The key issues in relation to determining a 'true and total' cost were the coding structure on FIMS, the spread of performance data across various mechanisms, and the lack of Council sighting on the ASC emergency payments for accommodation for vulnerable adults, which is managed by ASC Bay Wide within the NHS Trust. |  |
| | Limited Assurance | In our opinion, based on information provided, the current framework for recording and reporting upon TA and Homelessness across the entire Council could be strengthened to provide greater effectiveness in associated decision making. Provision of a more structured framework within which TA and Homelessness data can be captured across all services (including ASC data from ASC Bay Wide) and | |

ADULT SERVICES INCLUDING COMMUNITY AND CUSTOMER SERVICES

| Audit Report | | | |
|--------------------------|-------------------|---|-------------------------------|
| Risk Area / Audit Entity | Assurance opinion | Residual Risk / Audit Comment | Direction of Travel Assurance |
| | | reported upon would improve transparency to the Council and support associated decision making, including where to target preventative activity. There is opportunity to utilise reporting tools such as Power BI, however the associated coding structure in FIMS would firstly need to be established in some areas and then consistently used. | |

The following audit was deferred to the 2024-25 year at the request of the client:

- Housing (including cross council joint working, e.g., with Pride in Place) – (ANA – Medium)

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2023. This is supported through external assessment of conformance with Public Sector Internal Audit Standards & Local Government Application Note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and have been undergoing review and revision. The proposed new standards will take effect in January 2025 and provide clarity and raise awareness of the audit committee's governance roles and responsibilities. [2024 Global Internal Audit Standards \(theiia.org\)](https://theiia.org)

Quality Assessment - the Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

External Assessment - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An **external assessment** must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *"Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics"*. The report noted that *"As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion"*. DAP is actively addressing these improvement areas.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance are included in this development plan which is ongoing. Our development plan is regularly updated and links to our overall strategy, both of which are reported to the DAP Management Board and DAP Committee.

Customer Service Excellence (CSE)

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during January 2023. This accreditation is a UK-wide quality mark which recognises organisations that prioritise customer service and are committed to continuous improvement.

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 96% being "satisfied" or better across our services. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Appendix 3 – Audit Authority

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Appendix 4 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

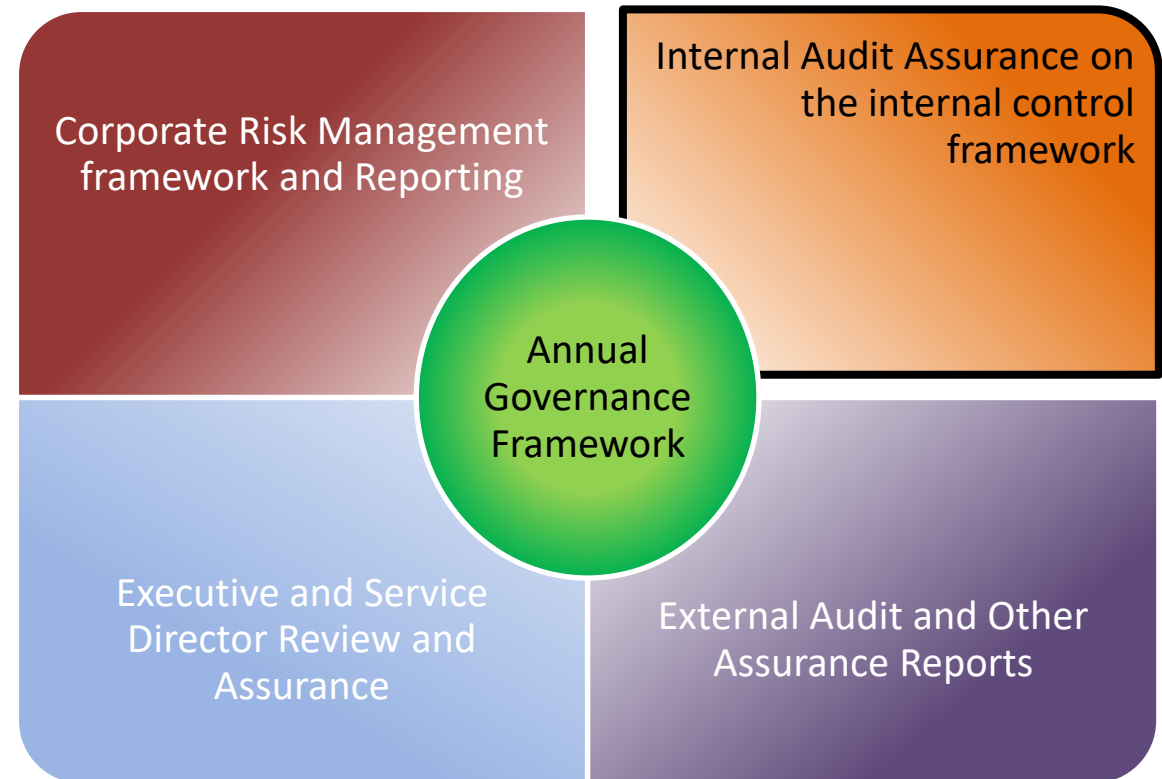
The Annual Governance Statement (AGS) provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit;
 - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Framework, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council.

In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to the audit plan are shown in Appendix 1.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2023-24, including those audits carried forward from 2022-23;

any follow up action taken in respect of audits from previous periods;

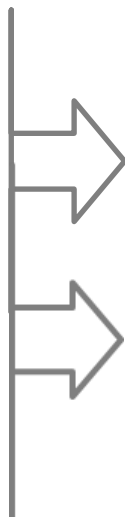
any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

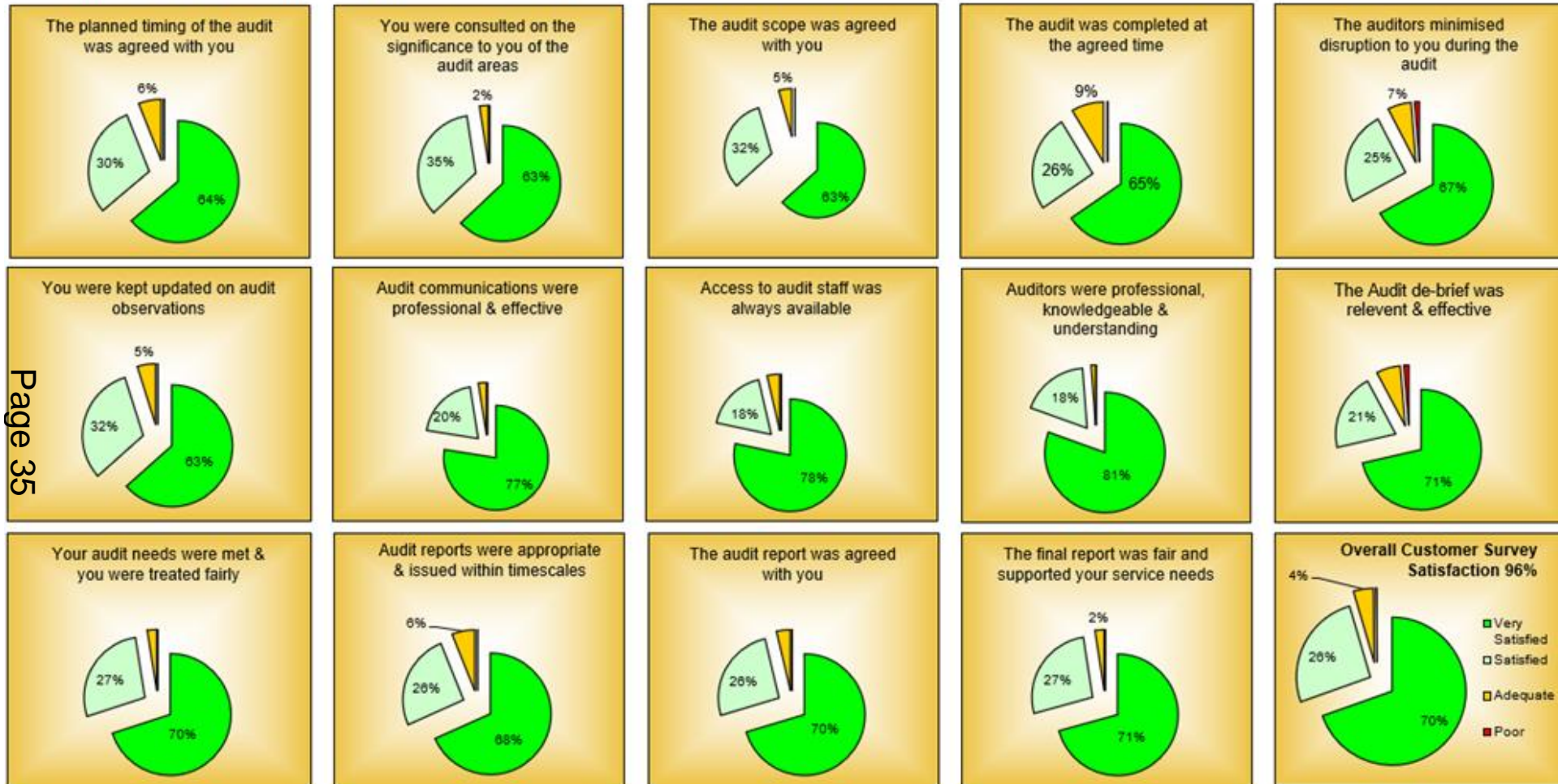
the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.



Appendix 6 - Customer Service Excellence

Customer Survey Results April 2023 - March 2024



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| | |
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| <p>Devon Audit Partnership</p> | <p>Confidentiality and Disclosure Clause</p> |
| <p>The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality assurance service provider. We work with our partners by providing a professional assurance services that will assist them in meeting their challenges, managing their risks, and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at Tony.d.Rose@devon.gov.uk</p> | <p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p> |

Meeting: Audit Committee **Date:** 24 July 2024

Wards affected: All

Report Title: Annual Governance Statement 2023/24

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Councillor David Thomas, Leader of the Council,
david.thomas@torbay.gov.uk

Director/Divisional Director Contact Details: Matthew Fairclough-Kay, Director of Corporate Services matthew.fairclough-kay@torbay.gov.uk

1. Purpose of Report

- 1.1 The preparation of the Annual Governance Statement provides the opportunity for the organisation to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its Statement of Accounts and the probity of its operations.
- 1.2 The Annual Governance Statement fulfils the statutory requirement in England for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

2. Reason for Proposal and its benefits

- 2.1 The Statement sets out publicly the extent to which the Council complies with its own code of corporate governance (part of the codes and protocols of the Constitution), including how it monitored and evaluated the effectiveness of its governance arrangements in the year.
- 2.2 The reason for the decision is to meet the requirements of the Accounts and Audit (England) Regulations.

3. Recommendation(s) / Proposed Decision

1. That the draft Annual Governance Statement for 2023/2024 be agreed and forwarded to the External Auditors for comment.

Appendices: Appendix 1: Draft Annual Governance Statement 2023/2024

Supporting Information

1. Introduction

- 1.1 The Annual Governance Statement for 2023/24 has been prepared and, if agreed by Audit Committee, will be sent to External Auditors with the Annual Statement of Accounts for comment to be finally approved by Audit Committee later in the year.
- 1.2 Regulations require every local authority to include in their annual Statement of Accounts an Annual Governance Statement signed by the Leader of the Council and the Chief Executive. CIPFA set out how the format that each Annual Governance Statement should follow.

2. Options under consideration

Not applicable

3. Financial Opportunities and Implications

- 3.1 There are no financial commitments to the council beyond the officer time involved in collating this report.

4. Legal Implications

- 4.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

5. Engagement and Consultation

- 5.1 The Statement is prepared with information from Officers, Senior Officers and Internal Audit reports. It has been reviewed by the Chief Executive and Leader of the Council.

6. Purchasing or Hiring of Goods and/or Services

Not applicable

7. Tackling Climate Change

Not applicable

8. Associated Risks

8.1 That the requirements of the Accounts and Audit (England) Regulations are not adequately met.

9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

| | Positive Impact | Negative Impact & Mitigating Actions | Neutral Impact |
|--|-----------------|--------------------------------------|----------------------------------|
| Older or younger people | | | There is no differential impact. |
| People with caring Responsibilities | | | There is no differential impact. |
| People with a disability | | | There is no differential impact. |
| Women or men | | | There is no differential impact. |
| People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community) | | | There is no differential impact. |
| Religion or belief (including lack of belief) | | | There is no differential impact. |
| People who are lesbian, gay or bisexual | | | There is no differential impact. |
| People who are transgendered | | | There is no differential impact. |
| People who are in a marriage or civil partnership | | | There is no differential impact. |
| Women who are pregnant / on maternity leave | | | There is no differential impact. |
| Socio-economic impacts (Including impact on child poverty issues and deprivation) | | | There is no differential impact. |
| Public Health impacts (How will your proposal | | | There is no differential impact. |

| | | | |
|---|--|--|--|
| impact on the general health of the population of Torbay) | | | |
|---|--|--|--|

10. Cumulative Council Impact

None.

11. Cumulative Community Impacts

None.

Annual Governance Statement

2023/2024

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Version control

| Date | Details | Updated by |
|------|---------|------------|
| | | |

Executive Summary

Governance is how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems, processes, values and culture by which the Council is directed and controlled and through which it is accountable to, engages with and leads its communities.

We are committed to achieving good corporate governance in everything we do to meet more effectively the needs, expectations and priorities of local people.

We want to be sure we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner.

In reviewing the effectiveness of our governance arrangement, we are able to confirm that throughout the year, we have delivered against our agreed action plans and maintained robust corporate governance arrangements. Our decision making processes are understood by members and officers and the mechanisms which support those processes operate effectively.

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the action plan below to address these areas to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified and we will monitor their implementation and operation as part of our next annual review.

Anne-Marie Bond
Chief Executive

Councillor David Thomas
Leader of the Council

Scope of responsibility

Torbay Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. We also need to make sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

We have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, facilitating the effective exercise of our functions, which includes arrangements for the management of risk.

Torbay Council has approved and adopted a Code of Corporate Governance which is included in the [Council's Constitution](#).

This Annual Governance Statement explains how we have complied with the Code. The Statement meets the requirements of the Accounts and Audit (England) Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2022, in relation to the publication of a statement on internal control.

The Statement takes the principles of our Code of Corporate Governance and describes (as per the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)):

- Torbay Council's key governance arrangements,
- Our evaluation of the effectiveness of our governance, and
- The progress we have made against previous actions and our plans for further improvement.

Key governance arrangements

The purpose of the governance framework

The Council's governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Against each principle of the Code of Corporate Governance, this section describes Torbay Council's governance arrangements.

Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

We are committed to exercising strategic leadership by developing and communicating clearly our purpose and vision, and the intending outcomes for citizens and service users.

- The Council's Community and Corporate Plan was adopted in February 2024. The plan covers a twenty-year period which will include a formal review after ten years.
- The associated Council Business Plan, which acts as a delivery plan and sets out the actions require to meet the priorities within the Community and Corporate Plan, was approved in June 2024.
- A Policy Framework is in place which ensures effective delivery of the Council's objectives.
- Each Director is preparing a set of Services Plans for their directorate which will demonstrate how the Council's ambition and priorities from the Community and Corporate Plan flow through into the delivery of each service and ultimately into the objectives of each of our members of staff.
- Each year, our Statement of Accounts includes a narrative of the Council's progress towards the ambitions in the Community and Corporate Plan.

We are committed to ensuring that customers and service users receive a high quality of service whether directly, or in partnership, or by commissioning.

- A Member Development Programme is in place with the aim of providing a structured approach to member development and supporting them in their roles. This includes more detailed

training for Councillors with areas of special responsibility e.g. Leader of the Council, Cabinet Members, Overview and Scrutiny and Chairs of Committees.

- Our Customer Service Standards set out our commitment to putting the customer at the centre of everything we do. If we do not meet these Standards, we have in place our Complaints Procedure. Further, a Members' Enquiries system is also available.
- To ensure continuous improvement in significant services, the following programmes are in place:
 - Transformation Programme for Adult Social Care
 - Children's Services Continuous Improvement Plan
 - Written Statement of Action for the improvement in services for children and young people with Special Educational Needs and/or Disabilities
- A Local Operating Policy for governance of wholly owned companies has been prepared.

We are committed to ensuring that the Council makes best use of resources, and that taxpayers and service users receive excellent value for money.

- Our Council's Constitution sets out the Financial Regulations and how we comply with all accounting, auditing standards and codes of practice. The Council's Medium Term Resource Plan provides a framework for planning and monitoring our resource requirements.
- The Treasury Management Strategy aims to achieve the optimum performance from the Council's cash flow, debt and investment operations and effectively control the associated risks.
- The Council has in place frameworks to which provide control and oversight of the Council's current and future revenue and capital budgets. The framework in relation to capital budgets/projects also includes the governance arrangements in relation to the Council's Regeneration Partner.
- Counter fraud and anti-corruption arrangements are in place including a policy which sets out the Council's commitment and approach to maintaining a strong anti-fraud culture across the authority.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

We are committed to ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.

- To provide clarity, the following are included within the Council's Constitution:
 - Schedules of Local Choice Functions and Council Functions
 - Scheme of Delegation of Executive Functions to the Cabinet, Cabinet Committees and Officers
 - Article 5 – Overview and Scrutiny
 - Terms of reference of the Overview and Scrutiny Board
 - Job Descriptions

- Roles and responsibilities of Members and officers (and how they inter-relate) are also made clear during induction programmes. The Council Leadership Group (made up of the Leaders and Deputy Leaders of each Group) meets regularly.

We are committed to ensuring that a constructive working relationship exists between Council Members and Officers and that the responsibilities of Members and Officers are carried out to a high standard.

- The responsibilities of Members and officers, and the standards to which they are expected to carry out those responsibilities, are described in the following sections of the Council's Constitution:
 - Schedules of Local Choice Functions, Council Functions and Circumstances in which Functions are not to be the Responsibility of the Executive
 - Officer Scheme of Delegation
 - Code of Conduct for Members, Code of Conduct for Employees and Local Protocol on Member and Officer Relations
- The following statutory appointments have been made:
 - The Head of the Paid Service is the Chief Executive who is responsible and accountable to the Council for all aspects of operational management.
 - The Director of Finance is the Chief Financial Officer who has responsibility for ensuring the Council operates secure and reliable financial and accounting systems.
 - The Head of Legal Services is the Monitoring Officer who is responsible for ensuring that agreed procedures and protocols are followed and that all applicable Statutes and Regulations are complied with.
- A Leader Induction Programme is in place as part of Member Development Programme.
- Advice and guidance is sought and utilised from the Local Government Association (LGA).

We are committed to ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other.

- To provide clarity, the following are included in the Council's Constitution:
 - Local Protocol on Member and Officer Relations
 - Members Allowances Scheme and Job Descriptions
- In accordance with our commitment to provide transparency, on our website we publish:
 - Our Organisational Chart covering each member of staff in the top three levels of the organisation.
 - Details of the number of employees whose remuneration was at least £50,000, including their responsibilities.
 - Our Annual Pay Policy Statement and Gender Pay Gap Report
- An Independent Remuneration Panel is in place to keep the Members' Allowances Scheme under review and make recommendations regarding the Scheme.

- There are a range of partnerships in place:
 - An Annual Memorandum of Understanding in place with the NHS for the delivery of adult social care by the Integrated Care Organisation.
 - Torbay and Devon Safeguarding Adults Partnership
 - Torbay Safeguarding Children Partnership which operates in line with the requirements of the statutory guidance Working Together to Safeguard Children 2018
 - The Community Safety Partnership (known as Safer Torbay)
 - Family Hub Board identifies local needs or gaps and suggests how community strengths may address them
 - Health and Wellbeing Board
 - Torbay Voluntary Sector Network
 - Torbay Place Leadership Board
- Our Corporate Safeguarding Policy sets out that the responsibility for safeguarding applies to every employee, volunteer, contractor, partner, agency worker and elected Member of the Council.

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

We are committed to ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.

- The Council's Constitution includes a Code of Conduct for Members, a Code of Conduct for Employees and a Local Protocol on Member and Officer Relations.
- Procedures are in place for the Assessment and Determination of Allegations of Breaches of the Member's Code of Conduct.
- Code of Conduct for Employees and Whistleblowing and Acceptable Behaviour policies available to all staff via MyView.
- Customer Service Standards are in place.
- The Council has in place an Internal Audit Plan which sits alongside its governance framework and our information governance arrangements.

We are committed to ensuring that organisational values are put into practice and are effective.

- Our Directors Commitments are in place to promote a positive culture across the organisation, which are supplemented by our Internal Engagement Strategy.
- The Council's Core Values are well established.
- The Standards Committee is part of the Council's governance arrangements.
- A draft Assurance Framework has been prepared.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

We are committed to being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.

- The Council's Constitution sets out the Council's formal governance framework with decisions made in accordance with Access to Information requirements. The Constitution also includes Financial Regulations and Contract Procedures.
- The Council has documented its internal governance structure and framework and has contract management arrangements in place.
- Draft Local Operating Policy for Governance of Council Wholly Owned Companies in place.
- The Forward Plan is published monthly setting out the Key Decisions which are due to be taken.
- Overview and scrutiny arrangements are in place within the Council's governance arrangements, with the Constitution including the terms of reference of the Overview and Scrutiny Board (and its sub-boards) and the Standing Orders in relation to Overview and Scrutiny.
- The Council has standard formats for reports to decision makers and Records of Decision.
- The Code of Conduct for Members and Employees includes details around conflicts of interest.
- Audit Committee in place as part of the Council's governance arrangements.
- The Council has a Complaints Procedure in place.

We are committed to having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.

- The Council's standard format for reports to decision makers includes the legal and financial implications of the recommendations. Guidance and advice available for completion of Equality Impact Assessments within those reports.
- Quarterly budget monitoring and performance reports are presented to Directors, Cabinet Members and Overview and Scrutiny Board
- There is an approved Community Engagement and Empowerment Strategy.

We are committed to ensuring that an effective risk management system is in place.

- The Council has an approved Risk Management Framework.
- There is a Whistleblowing Policy in place.
- A Health and Safety Policy is in place supported by a strategy and management framework.

We are committed to using their legal powers to the full benefit of the citizens and communities in their area.

- The Council's Head of Legal Services is the designated Monitoring Officer.

- Standard format reports for decision makers which requires legal implications of decisions to be set out so they can be considered by the decision maker. There is proactive engagement between Legal Services and directorates on high profile/sensitive matters.
- Advice and guidance is available to all directorates to ensure procurement is legally compliant.
- Standard Terms and Conditions ensure providers are legally compliant and held to account.

Principle 5: Developing the capacity and capability of Members and officers to be effective.

We are committed to making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.

- Member Development Programme (including Member Induction Programme) is in place and operational.
- Induction for new members of staff is in place, followed by the availability of a Corporate Training Programme.
- MyView web platform hosts Human Resources policies, whilst the Council's Intranet hosts a range of other policies, procedures and guidance for all staff including:
 - Information Governance
 - Freedom of Information Guidance
 - Community and Corporate Plan
 - Constitution
 - Counter Fraud and Corruption Policy
- As part of the Council Redesign Programme, a programme of Workforce Planning in place.
- Our People Strategy and associated action plan in place.
- Business Continuity Management is embedded within Torbay Council procedures.
- Programme and Project Management Methodology in place.

We are committed to developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.

- Member Development Programme (including Member Induction Programme) is in place and operational. This is kept under regular review via the Council Leadership Group to inform the development of future Programmes.
- Job Descriptions for specific Member and officer roles and Local Protocols published within the Council's Constitution.

We are committed to encouraging new talent for membership of the Council so that best use can be made of individual's skills and resources in balancing continuity and renewal.

- Our People Strategy and associated action plan in place.
- A specific communications and engagement plan is implemented in the run up to Local Elections to encourage people become councillors.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

We are committed to exercising leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

- Overview and scrutiny arrangements are in place within the Council's governance arrangements.
- An annual report on the activity of the Overview and Scrutiny function is published.

We are committed to taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning.

- The Council publishes a weekly One Torbay e-newsletter together with other subject specific e-newsletters. This is in addition to the news, information and alerts issued via our social media channels or through media releases as appropriate.
- The Council's Standing Orders in relation to Access to Information describe the specific circumstances in which information can be classed as exempt or confidential.
- A Community Engagement and Empowerment Strategy is in place with an associated Annual Engagement Programme.
- Meetings of the Council, Cabinet and Planning Committee are livestreamed on YouTube and promoted via social media channels.
- Impact on vulnerable groups and those with characteristics protected under the Equality Act 2012 is assessed and documented in Equality Impact Assessments and considered by decision-makers prior to decisions being made.

We are committed to making best use of human resources by taking an active and planned approach to meet responsibility to staff.

- Our People Strategy and associated action plan is in place.

Principle 7: Securing continuous improvement in service delivery and ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its user and in the most effective way.

We are committed to continually improve effective service delivery arrangements.

- The Council has in place a Performance Management Framework which includes setting annual targets for performance indicators.
- The Council Business Plan sets out milestones towards delivery of priority projects and Service Plans prepared for services across all Directorates.
- A quarterly performance report is published and considered, with performance celebrated and challenged.

- The Statement of Accounts provides a Narrative Report which explains the Council's achievements against the Community and Corporate Plan over the past year alongside the Council's financial performance.
- Customer Service Standards in place.
- Improvement Plans put in place to respond to external inspections:
 - Children's Services Continuous Improvement Plan.
 - Special Educational Needs and/or Disabilities Written Statement of Action
 - Safety Value.
- Six monthly reports are considered at Directors' Overview Meeting on those areas of the Council subject to external inspection.
- Asset Management Strategy in place to ensure the effective use of the Council's assets
- Council Re-design Programme in progress to move towards agreed Target Operating Model.

Review of effectiveness

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report and by comments made by the External Auditors and other review agencies and inspectorates. This review is demonstrated through the Annual Governance Statement.

The effectiveness of the governance framework has been evaluated over the course of the year against the seven principles within Torbay Council's [Code of Corporate Governance](#). Details of the evaluation is included in the sections which follow. Whilst some governance issues have been identified (and are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose, in accordance with the governance framework.

Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

Following the Local Elections in May 2023, the Council's Chief Executive and Directors worked with all Members of the Council to develop the draft Community and Corporate Plan. The draft Plan was developed, considering data contained within the Torbay Profile, feedback from the Residents Satisfaction Survey and the political priorities of the Council. The draft Plan was then subject to consultation during September and October 2023 – this included consideration by the Overview and Scrutiny Board.

The Council Business Plan was then developed which set out the actions to be undertaken against each priority within the Community and Corporate Plan. These actions contained milestones against which progress can be measured. A set of performance indicators are included within the Plan which supplement the longer-term performance indicators within the Community and Corporate Plan.

The Performance Management Framework is currently under review so that, from Quarter 1 of 2024/2025, the corporate performance report can provide assurance that progress against both the Community and Corporate Plan and the Council Business Plan is on track.

The Resource and Waste Management Strategy within the Policy Framework was amended in year to take account of changed political priorities. The changes were subject to public consultation. Now that the Community and Corporate Plan and Council Business Plan have been approved, a review of the strategies, plans and policies which make up the Policy Framework will be undertaken during 2024/2025.

The framework for completing Service Plans was reviewed in year, with the aim of making sure they are an effective tool to support the Council's continuous improvement. The Service Plans are currently being reviewed to ensure consistency and to identify inter-relationships.

The Member Development Programme was reviewed ahead of the Local Elections in May 2023, of which further details are included under Principle 5.

The Statement of Accounts 2023/24 has been prepared and was audited by Grant Thornton. The Council's accounts and the Auditor's annual report are publicly available on our website.

Directorate performance against our Customer Service Standards is monitored against targets on a weekly basis. Monthly escalation meetings are held with the Chief Executive and Director of Corporate Services to ensure satisfactory performance. This includes outstanding enquiries made by Councillors and Members of Parliament.

The Council operates a single stage complaints process which means there are improved timescales for escalation to the Local Government and Social Care Ombudsman. Information on the Council's performance against our Customer Service Standards are included in quarterly performance reports which are considered by Directors, Cabinet members and the Overview and Scrutiny Board.

There are a range of meetings in place to ensure sufficient progress is being made against our improvements plans for adult social care, children's social care and services for children and young people with Special Educational Needs and/or Disabilities (SEND). These include:

- For adult social care:
 - Section 75 Executive Group
 - Adult Social Care Improvement Board; and
 - Adult Social Care and Health Overview and Scrutiny Sub-Board
- For children's social care:
 - Children's Continuous Improvement Board
 - Children and Young People's Overview and Scrutiny Sub-Board
 - Corporate Parenting Board
- For services for children and young people with Special Educational Needs and/or Disabilities:
 - SEND Strategic Improvement Board
 - Independent Check and Challenge Group
 - Children and Young People's Overview and Scrutiny Sub-Board

In April 2024, Torbay Council published its first Adult Social Care Self-Assessment Report which was prepared following consultation over the summer of 2023 with local stakeholders and in conjunction with HealthWatch.

Children's Services publish an annual self-assessment which for this financial year was published in December 2023 – this was used as a basis for the Annual Conversation with Ofsted which took place in May 2024. We continue to work with the Department for Education and Care Quality Commission in relation to the Written Statement of Action for our children and families who

experience SEND. The Children's Leadership Team attended a 'Area SEND Engagement Meeting' in February 2024.

Over the course of the year, a review was undertaken of the frameworks for control and oversight of the Council's current and future revenue and capital budgets. This ensured that opportunity existed for appropriate monitoring and challenge as well as focusing our efforts on those areas of highest risk and potential impact on the Council.

Our Medium-Term Resource Plan was formally revised as part of setting the Council's budget in February 2024. The Council's budget was kept under review throughout the year by Directors and Members of the Cabinet with quarterly budget monitoring reports being considered by the Overview and Scrutiny Board.

The Treasury Management Strategy was reviewed by Audit Committee and its recommendations were considered by Council ahead of its approval in March 2024. Audit Committee received two progress reports which demonstrated our compliance with the strategy.

The Capital Growth Board met monthly to provide a continual review of the Council's Capital Programme and the risks for delivery and budget. New project management governance was introduced in 2023/24 promoting greater accountability and transparency for all key projects.

In October 2023, a partnership of Wilmot Dixon and Milligan was appointed, by the Cabinet, as the Council's Regeneration Partners. A Board of Council officers and representatives of the partners will report to the Council to provide oversight and six-monthly updates on progress will be reported to Overview and Scrutiny Board.

Quarterly meetings of the Management of Investment Assets Group were held to oversee management of our investment properties. Work is underway to develop a framework to standardise the measurement of holding or releasing assets.

Regular updates on the Council's counter fraud and anti-corruption arrangements are presented to Audit Committee. Devon Audit Partnership undertook periodic proactive fraud awareness sessions for both officers and members. The Council's anti-fraud arrangements are assessed by the external auditors alongside the Statement of Accounts.

A Local Operating Policy for Governance of Council Wholly Owned Companies is in development. Company boards monitor performance at least quarterly, with the Divisional Director for Economy, Environment and Infrastructure monitoring performance of SWISCo on a day-to-day basis. The Overview and Scrutiny Board review the performance of Wholly Owned Companies annually.

Following a recommendation made by Cabinet, the decision was made at a meeting of the Council in September 2023 to dissolve the Torbay Economic Development Company (trading as TDA) and bring its services back into the Council from 1 April 2024. The need to deliver more for Torbay at a time of significant change in the regional and national economic development environment meant that a review of the fundamental purpose of the company was needed. The Chief Executive, in consultation with the Leader of the Council, was given delegated authority to determine the arrangements of a safe transfer.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Council's Constitution has been kept under review by the Monitoring Officer, Chief Financial Officer and Head of Governance Support, in consultation with the Leader of the Council and Group Leaders whereby improvements and changes to the Constitution were made and agreed. Over the course of the year, the Constitution was amended to ensure that it was up-to-date and fit for purpose, with the following sections being updated following consultation with the Council Leadership Group:

- Article 11 – Decision Making
- Article 11 – Review and Revision of the Constitution
- Standing Orders in relation to Council Meetings
- Local Protocol on Leader of the Council and Political Groups
- Local Protocol on Civic and Ceremonial
- A New Local Protocol on Indemnity and Insurance for Members and Officers
- Contract Procedures
- Local Protocol Consultation Arrangements with Town/Parish Councils and Neighbourhood Forums

Regular one-to-one meetings are held between the Chief Executive and the Leader of the Council. The Chief Executive also meets regularly with the Leaders of the other Groups on the Council. Her annual appraisal is undertaken by the Group Leaders. The Chief Executive has regular meetings with the LGA Principal Advisor for the South West, with Peer Challenge opportunities being utilised both within the organisation and as peer members.

The Chief Financial Officer has direct access to all Members, the Chief Executive and senior officers of the Council. Regular discussions are held with the Leader of the Council and the Cabinet Member with responsibility for Finance. Members are briefed on key financial matters with revenue and capital monitoring reports being considered on a quarterly basis.

Issues were identified in the October 2023 Devon Audit Partnership report on Tor Bay Harbour Authority income. This was in relation to the governance of rent reviews and charging arrangements which were managed by TDA on behalf of the department. Recommendations were made that discussions should be held to ensure the Harbour Master is fully updated on why rent reviews are not taking place, any rent review decisions and if charging issues are resolved. Now that the TDA are back in house it is anticipated that this will aid closer working.

In their July 2023 report on Section 106 and Community Infrastructure Levy (CIL), Devon Audit Partnership identified the need to:

- Enforce CIL and Section 106 project ownership thereby maximising potential for planning obligation income to be allocated and spent in line with agreements.
- Ensure monies are collected and allocated to projects, and to make any related accounting adjustments if required.

- Establish a CIL and Section 106 operational governance framework linked to the Council's strategic objectives.

The Council's Section 151 Officer will engage with the CIL Neighbourhood Portion Spend Panel and an application process with forms and guidance is now in place. Refunds of monies and decisions regarding virements are to be routed through the Finance Team for review and the relevant systems updated. The Council has implemented a new reporting system to easily identify monies that should have been spent or refunded. This is known as the Exacom system.

During 2023/2024 the Monitoring Officer has held monthly 'open sessions' with Members whereby any concerns could be raised and member behaviour generally discussed. In addition, the Monitoring Officer continues to meet as needed with the Independent Persons (appointed to assist the Standards Committee in the Member Complaint Process) to hear their views and opinions on any relevant matters relating to members' conduct. The Monitoring Officer has received complaints which were dealt with in accordance with the Assessment and Determination of Allegations of Breaches of the Member's Code of Conduct complaints.

As described under Principle 1, the Member Development Programme was reviewed ahead of the Local Elections in May 2023.

The Independent Remuneration Panel (IRP) met in 2023/24 to undertake a fundamental review of Members' Allowances. The Panel recommended that a Basic Allowance of £9,794 (based on the National Joint Council allowance increase of 3.88%) should be set with all Special Responsibility Allowances (SRAs) being a multiplier of the Basic Allowance, with travel and subsistence allowances being the same as those for council officers. It felt that the decision to extend the list of approved duties was outside their remit and was a political decision. The IRP report was considered by the Council at its meeting on 22 February 2024 – the proposed increase in Basic Allowance was not accepted, instead agreeing the principle to increase the allowances by the same percentage as the average of staff pay (as previously adopted) at 5.28% and that this be the basis for future annual increase calculated by the Director of Finance. They accepted the application of the multiplier to calculate the SRAs and increased the number of meetings listed as approved duties.

The Council Leadership Group has met on a regular basis to discuss emerging council business and key topics, Member behaviour and standards, and Constitution amendments.

The Council considered the Annual Pay Policy and Gender Pay Gap report on 22 February 2024.

In relation to adult social care, a new agreement was agreed under Section 75 of the NHS Act 2006, by the Council, Devon Integrated Care Board and Torbay and South Devon NHS Foundation Trust on 20 March 2024. As part of this a Section 75 Executive Group was established to oversee delivery of the adult social care transformation programme. The delivery of delegated services is outlined in the annual Memorandum of Understanding between the Council and Torbay and South Devon NHS Foundation Trust

Torbay is a partner in the Torbay and Devon Safeguarding Adults Partnership as a requirement of the Care Act 2014. This Partnership provides strategic leadership for safeguarding adults across Torbay and Devon.

Torbay Safeguarding Children Partnership has been established under Working Together to Safeguarding Children 2018 (now superseded by Working Together 2023) arrangements since September 2020, stepping away from the previous joint Plymouth Council arrangements that were initiated in 2019 after the dissolution of the Torbay Safeguarding Children Board.

A new Corporate Safeguarding Policy was developed in December 2023. It was an action from the Torbay Safeguarding Children Partnership audit and has been developed to provide guidance for all Torbay Council staff, Elected Members, volunteers and individuals, consultants and agencies contracted (and sub-contracted) by the Council who may come across concerns regarding the safeguarding and protection of children, young people and adults within the context of their work. It was approved by senior leaders and was also consulted on with Trade Unions via the Joint Consultative Committee in December 2023. It was launched more widely with staff via our Staff News and Staff Forums and is hosted on the Council's staff intranet pages as well as the Council's external web-pages.

Torbay's Place Leadership Board, a partnership bringing together organisations from across the private, public and civic sectors, is the custodian of the Torbay Story working to champion investment in support of it. Increasingly it brings together partners to share issues and identify ways in which collaborative responses can lead to better outcomes for the area. The Place Leadership Board will report to the Council's Overview and Scrutiny Board periodically to highlight successes and challenges.

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

All Members received training on the Code of Conduct within the first weeks following the Local Elections in May 2023 and the new Members Interests Register was completed and published. This training and Member needs arising, is kept under review and implemented in year. The agenda for the Council Leadership Group includes Member behaviour and Good Governance where issues of concern are raised and discussed.

The Council's induction programme signposts new members of staff to the Code of Conduct for Employees and the Whistleblowing and Acceptable Behaviour policies. Reminders are included at regular intervals on the Staff Newsletter.

As explained under Principle 1, directorate performance against our Customer Service Standards is monitored against targets on a weekly basis and escalated as necessary.

Devon Audit Partnership operates in line with the Public Sector Internal Audit Standards. The Internal Audit Plan is agreed annually by the Director of Finance, Senior Leadership Team and the

Council's Audit Committee. The Council also receives assurance from the NHS Internal Audit Consortium over the controls in operation at Torbay and South Devon NHS Foundation Trust. Achievement against the Audit Plan was reported to the Audit Committee on 26 July 2023.

The Council's Directors agreed a set of Commitments following their consideration of the Staff Check-in Survey in October 2023. This includes implementation of Directorate Newsletters and creating more opportunities for staff to feedback to Directors.

The Council's Constitution includes the Code of Corporate Governance with the statutory governance officers meeting on a regular basis to review governance arrangements. Over the course of the year, the Council's Assurance Framework has been documented and will be agreed in 2024/2025.

Mandatory training is undertaken by Councillors every four years and officers annually in relation to information governance and data protection. Regular reminders are issued via the Staff Newsletter on the importance of data protection, the need to report data breaches promptly and the lessons learnt from breaches. The Information Governance Steering Group meets on a quarterly basis to review policy, best practice, organisational change and performance. They also consider and review the risks in relation to cyber security and the Council's wider compliance to Data Protection Legislation.

The Internal Engagement Strategy has continued to be implemented over the course of the year with weekly Staff Newsletters, fortnightly Managers Briefings and monthly Senior Managers and Managers Forums. Regular Ask Us Anything and All Colleagues Briefings are held. Regular staff check-in surveys are also held to gain formal feedback from across the Council. An action plan has been developed and agreed following the last check-in survey.

Staff are asked to demonstrate how they meet the Council's Core Values at their annual appraisal.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

As explained in Principle 2, the Council's Constitution has been kept under review throughout the year. The Constitution allows for any five members of the Council to "call-in" executive decisions to the Overview and Scrutiny Board for further debate. During 2023/24, three decisions were called in.

Details in relation to the Council's Wholly Owned Companies are described under Principle 1.

A review of the operation of overview and scrutiny was carried out and a report was presented and approved at the Overview and Scrutiny Board on 5 July 2023. The report contained ten recommendations to improve the operation of overview and scrutiny including the creation of a Cabinet and Overview and Scrutiny Protocol, ongoing training for Members and officers, ensuring their work is channelled through the right method e.g. councillor call for action, task and finish groups, spotlight reviews etc., improving communications and the Director of Corporate Services being identified as the main Senior Leadership Team support for overview and scrutiny.

The standard format for reports to decision makers was amended in year to take account of the new Community and Corporate Plan. The Equality Impact Assessment and “Protecting our naturally inspiring Bay and tackling climate change” sections of the report template were updated and new guidance prepared. A session was held during a Senior Managers Forum on the need for Equality Impact Assessments and each Directorate Management Team is being briefed.

Reports have to be signed off by the relevant Director and the three Statutory Officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) before being presented to the Cabinet for consideration.

The Council’s policies and procedures in relation to the Regulation of Investigatory Powers Act (RIPA) were subject to inspection in November 2023 by the Investigatory Powers Commissioner’s Office. This inspection found that there was an acceptable level of compliance given the Council does not rely on RIPA when carrying out investigations.

In their October 2023 report on the Subject Access Request (SAR) process, Devon Audit Partnership identified significant reputation and financial risks posed to the Council on non-compliance with SAR legislation in relation to meeting statutory response times. Response times by departments have been impacting the Information Governance Team’s ability to respond within timescales. Performance since the audit has continued to improve with 100% of SARs responded to on time in quarter 4 of 2023/24. Performance is closely monitored, and resources reviewed at year end in line with performance.

The Procurement Act 2023, which comes into effect on 28 October 2024 will fundamentally change how public procurement is carried out. Contracts put in place prior to the implementation of the Act will continue to be governed by the requirements of the Public Contracts Regulations 2015. The Health Care Services (Provider Selection Regime) Regulations 2023, which encompasses some of the public health services commissioned by the Council. This means the Council will be managing its procurements and resultant contracts under three different sets of legislation. To facilitate this new Council Contract Procedures, setting out the framework for how procurement and contract management will be undertaken, were introduced on 1 April 2024. Work is underway to develop and implement new policies, guidance and training materials to support the implementation of the Procurement Act 2023 and revised Contract Procedures.

Devon Audit Partnership’s March 2024 report on the SWISCo Client Role acknowledged there is a commissioning agreement in place but they were unable to evidence, and therefore confirm, compliance by departments in relation to ensuring value for money and service standards where additional services were commissioned outside of the core agreement. Where the Council commissions work outside of the commissioning agreement, it is the responsibility of the commissioning department to ensure value for money is considered.

The Council undertook its first Residents Satisfaction Survey in July 2023 based on the Local Government Association (LGA) survey of the same name. This Survey will be undertaken every two years to test how well the Council is improving its service delivery. The way the Council carries out its engagement and consultations with its residents is continually evolving. The

Engagement and Communications Team ensure the right audience is targeted and approached, inviting them to take part. Consultations are available online, but also paper copies are made available in local Libraries or taken to places residents who may be interested are. The Team will also consider running face-to-face events on live consultations to ensure the Council speak to those that it impacts or are interested. Bi-monthly face-to-face engagement sessions now also take place. These are often in places where there is a high foot fall, like high streets or at local events like the Airshow.

The Council's new risk framework, policy and registers formally went live from 1 April 2023. Extensive risk training and risk workshops have been held with Directors, managers and key officers to identify and embed our risk management culture into the organisation. All strategic, corporate and service risks are held on our risk management software SPAR.net which has built in features to ensure senior managers review their risks regularly and take accountability for the information held on the system. Regular risk reports are produced to embed risk into our governance meetings including Directors Overview Meetings and Audit Committee. The Risk and Performance Manager liaises with the Directors to ensure the registers align to the performance of the Council. The arrangements were audited by Devon Audit Partnership in November 2023 and were given a rating of 'reasonable assurance'. A Phase 2 improvement plan is in place that will continue the good work to embed our processes over the coming year.

The Monitoring Officer, Chief Finance Officer, Head of Human Resources and the Head of Devon Audit Partnership (or their representative) meet on a regular basis to consider and recommend action in connection with current governance issues and other matters of concern regarding finance, ethics and probity. The Chief Executive (as Head of Paid Service) is kept informed of matters.

Health and Safety performance and emerging issues are reported to the Council's Senior Leadership Team on a six-monthly basis. The Chief Executive holds health and safety update meetings on a quarterly basis to discuss trends, performance and emerging issues. Additionally, each month Directors discuss health and safety performance within their service areas, challenging outstanding actions and records on the Assure system.

Principle 5: Developing the capacity and capability of Members and officers to be effective.

The Member Development Programme was reviewed taking account of feedback from Members, the Monitoring Officer, Chief Executive, Head of Governance Support and Democratic Services Team Leader. The aim was to provide a comprehensive Induction Programme for 2023/2024 following the Local Government Elections in May 2023 with an outline Programme for the following three years. The Programme consists of internal and external development opportunities and is supplemented by all Member Briefings on key issues and one to one support as required from the Democratic Services Team Leader. Members are also encouraged to sign up to updates from the Centre for Governance and Scrutiny and the Local Government Association (LGA) who provide a lot of free events. The Chairman of the Audit Committee, Senior Scrutiny Members and Cabinet

Members also took part in the LGA Leadership sessions, with all Members being encouraged to attend the LGA free online events to enhance their knowledge. Scrutiny Members also take part in regional networks to share good practice.

The Council's approach to onboarding and inducting new Members of staff was reviewed over the year. The way in which the Council recruits and welcomes new members to the organisation was redesigned following feedback from new starters. We wanted to make sure our new colleagues felt welcomed and part of our organisation from the moment they accept their job offer to the day they step into our building, be that virtually or in person. Our recruiting managers now set their new colleague up on our onboarding system where they can manage many of the administration tasks required to start their first day, before they start. This saves time on administration processes in the first week and helps us keep in contact throughout the transition. We have also enhanced our induction process and making it consistent across the organisation. By standardising our approach, making sure everyone has a similar experience, we have made sure that everyone has their warm welcome and is made to feel part of our team from day one. This was part of our wider project to improve our recruitment and retention of our colleagues.

Leadership and management training continues to be provided that covers a wide range of core management skills development such as managing performance, leading and developing teams, leading change and managing equality, diversity and inclusion. For staff we have run Equality, Diversity and Inclusion, Customer Services and Personal Safety and Conflict Management training, as well as courses that support employee wellbeing such as Emotional Resilience and Safetalk.

Over the year, employment policies such as the Annual Pay Policy, Flexible Working Requests Policy, Carers Support Policy, Paternity Policy and Re-organisation and Redundancy Policy have been updated in response to operational and legislative changes.

Workforce planning continues to be rolled out across the whole Council, as it is a core business process to align changing organisation needs with its people strategy. If applied effectively, organisations reduce costs and build an agile workforce. It redefines workforces, workplaces, and talent. The purpose of delivering the LGA model of workforce planning across the whole Council is to use the same workforce planning methodology, enabling the Council to have the right people with the right skills in the place to deliver Council objectives.

The Emergency Planning Team identifies appropriate training and exercise opportunities to develop the capacity and capability of officers who have a strategic, tactical or operational incident management role in an emergency. Training and exercising opportunities are also provided for officers who are responsible for responding to specific types of emergencies or managing high profile events such as the English Riviera Airshow.

Regular one-to-one meetings are held with Cabinet portfolio holders to update, appraise and familiarise them with current and proposed resilience issues at local, regional and national level. Members will also be invited to exercises, training, workshops and other emergency planning service activities where development opportunities arise.

As part of its annual work plan the Emergency Planning Team maintains a training record for Torbay Council staff and elected Members.

The Council has reviewed its methodology and approach to project management and a new methodology based on PRINCE2 has been designed with a toolkit and associated templates to support officers in delivering projects in a structured and consistent way. This new methodology will be launched in the summer of 2024.

Our People Strategy sets out the key actions we will take to help us to build a workforce for the future supporting Torbay Council's ambition and vision for the community as set out in its Community and Corporate Plan. The key themes focus on recruitment and retention, employee wellbeing, ways of working, learning and development, equality and diversity and organisational culture. There is an accompanying action plan that sets out the timescales and deliverables over the next five years, until 2029. A set of success criteria are also included that we will measure ourselves against, these include recruitment statistics via our applicant tracking system, including number of applicants and key diversity information, workforce engagement activities and feedback, Strategic Risk Register and Key Performance Indicators and Customer complaints and compliments

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

The Annual Report of the Overview and Scrutiny Board was considered by the Council on 25 May 2023 and is also published on the Council's website on the Overview and Scrutiny section. We have used social media and the press to encourage people to engage in the work of overview and scrutiny, particularly relating to spotlight reviews on South West Water, dentistry, homelessness and Children and Adolescent Mental Health Services.

Following each engagement event and consultation a comprehensive report is covered with the results, including how those who need to know about it are reached. This is all then reported back to the relevant team to inform their decision making. The Engagement and Communications Team also review how these have run to see what has worked well and where improvements can be made. From the lessons learnt, this year teams are being encouraged to carry out face to face engagement events, alongside the online consultation, if appropriate and to focus on who the target audience is and how they would like to receive the information. The Engagement and Communications Team are also working on ensuring the results of the consultations and engagements are fed back to those who took part. This is so they can see the results and the outcome of any decision that was made, closing the feedback loop.

The Engagement and Communications Team have also been consistent with promoting the live streaming of the meetings of the Council, Cabinet and Planning Committee. This is done on the Council's corporate social media channels and in its weekly One Torbay e-Newsletter. The impact of this is that the number of followers of the Council's YouTube account have doubled along with an increase in the number of views of these meetings.

As explained in Principle 4, the Equality Impact Assessment template within the reports to decision makers was updated to better assess the impact of Council decisions on people who have protected characteristics and ensure our decisions do not directly or indirectly discriminate.

As explained in Principle 5, the Our People Strategy sets out the key actions needed to help us to build a workforce for the future. The associated set of success criteria that we measure ourselves against includes tracking workforce engagement activities and feedback, and Customer complaints and compliments.

Principle 7: Securing continuous improvement in service delivery and ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its user and in the most effective way.

A new performance report is being prepared based on the new Community and Corporate Plan and the Council Business Plan. In the interim, the performance report included the performance indicators within the previous and emerging Community and Corporate Plans.

Target setting for 2024/25 and future years was discussed between the Chief Executive and her Directors with the Overview and Scrutiny Board due to provide a view on the agreed targets as part of the performance report for Quarter 1 of 2024/25.

Over the course of the year, the Council Business Plan has been developed by the Cabinet, with cross party input through the Council Leadership Group and Overview and Scrutiny Board. This is a three-year delivery plan for the longer-term Community and Corporate Plan. A refreshed Service Planning Framework was also put in place so that delivery against both the Community and Corporate Plan and the Council Business Plan can be tracked by directorate.

Governance frameworks are in place to monitor delivery against the Improvement Plans that are in place in specific Council services. This includes the one-to-ones held between the Chief Executive and her Directors to discuss progress.

The Corporate Asset Management group ensures that our corporate requirements are managed within the estate and that our corporate assets are maintained to ensure a safe working environment for our staff and visitors.

The effective delivery of the Council Redesign Programme is monitored on a monthly basis via a programme board involving senior officers of the Council. At this board meeting, progress is gauged via monthly highlight reports which give an overview of the health of the projects that make up the programme. Risks and issues related to the programme and its projects are reviewed at the board meeting and are managed accordingly. The Business Improvement and Change Team who manage the Council Redesign Programme is also subject to oversight from the Council internal audit team who give assurance on the projects and programmes they deliver. In their recent Audit Statement for 2023/24 our internal auditor stated that 'there is a generally sound

system of governance, risk management and control in place' for projects and programmes and this included the council redesign programme.

The Devon Audit Partnership report on Climate Change (finalised in February 2023) highlighted the need to comply with the National Audit Office good practice guide – Climate Change Risk; a good practice guide for Audit and Risk Assurance Committees. Audit identified areas where the governance control framework could be strengthened, notably opportunities to improve management and officer awareness through training and inclusion of climate change aspects within service plans, allocation of Council wide responsibilities for climate change and associated actions and assessment and incorporation of relevant risks and actions rising from the Devon Adaptation Strategy when finalised. In response climate change considerations will be embedded within project management templates. Roles and responsibilities for the 'three lines of defence' for climate change are being explicitly added to the Place Directorate. A comprehensive climate adaptation risk assessment for Torbay Council will commence in September 2024.

Conclusion

Overall, during the course of the year we have ensured that we are delivering against our agreed action plans in order to maintain our robust corporate governance arrangements. Our decision making processes are understood by members and officers and the mechanisms which support those processes operate effectively.

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the action plan below to address these areas to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified and we will monitor their implementation and operation as part of our next annual review.

Appendix 1: Action Plan

| Agreed Action | Responsible Officer | Deadline |
|---|--|---------------|
| Undertake review of the Policy Framework | Head of Policy, Performance and Community Engagement | December 2024 |
| Develop a framework to standardise the measurement of holding or releasing assets | Strategic Head of Asset Management | December 2024 |
| Agree Council's Assurance Framework | Head of Policy, Performance and Community Engagement | Autumn 2024 |
| Launch of revised methodology for project management | Head of Business Change and Improvement | August 2024 |

This document can be made available in other languages and formats.
For more information please contact engagement@torbay.gov.uk

Meeting: Audit Committee

Date: 24th July 2024

Wards affected: All Wards in Torbay

Report Title: Treasury Management Outturn 2023/24 Report

Cabinet Member Contact Details: Councillor Alan Tyerman, Cabinet Member for Housing and Finance, alan.tyerman@torbay.gov.uk

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1. Purpose of Report

- 1.1 This report is to provide members with an annual report on the treasury management activities undertaken during the year 2023/24, which is compared to the 2023/24 Treasury Management Strategy.

2. Reason for Proposal and its benefits

- 2.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report

3. Recommendation(s) / Proposed Decision

That the Audit Committee recommends to Council :

- i) **That the Treasury Management decisions made during 2023/24, as detailed in the submitted report be noted.**
- ii) **That the increases to limits within the Treasury Management Strategy 2024/25 as outlined in paragraph 10.4 of this report be approved.**

Appendices

Appendix 1: Economic Commentary

Appendix 2: Borrowing and Investment Portfolio

Background Documents

Treasury Management Strategy 2023/24

Supporting Information

1. Introduction

- 1.1 In March 2023 the Council 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 Council to approve treasury management semi-annual and annual reports.
- 1.2 The Council's treasury management strategy for 2023/24 was approved by Council at a meeting on 7th March 2023. The Council 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 Council's treasury management strategy.

2. External Context

- 2.1 An economic commentary for the year provided by the Council's treasury management advisors, Arlingclose, is provided at Appendix 1 to this report.
 - Inflation continued to fall from 8.7% at the start of 2023/24 to 3.4% at February 2024.

- Bank Rate began at 4.25% and increased to 5.25% at August 2023 where it has stayed for the rest of the year.
- Financial market sentiment remained uncertain on the back of inflation forecasts. Bond yields rose during the first half of the year before falling sharply then recovering again ending the year 50 basis points higher than the start.
- The 10-year benchmark gilt, a measurement for cost of borrowing, rose from 3.44% to 4.75% before dropping back to 3.92% at year end.

3. Local Context

3.1 On 31st March 2024, the Council had net borrowing of £309m 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 usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary (subject to finalisation and audit)

| | 31.3.24 Actual £m |
|--|----------------------------------|
| Total CFR | 449 |
| Less: *Other debt liabilities | (14) |
| Borrowing CFR | 435 |
| External borrowing | 359 |
| Internal borrowing | 76 |
| Less: Balance Sheet resources (usable reserves, working capital and other cash backed items) | (126) |
| Net treasury position | 309 |

* PFI liabilities that form part of the Council's total debt

- 3.2 The Council pursued its strategy of keeping borrowing and investments below their underlying levels (i.e. using internal cash resources in place of borrowing), sometimes known as internal borrowing, to reduce risk and interest costs.
- 3.3 The treasury management position on 31st March 2024 and the change during the year is shown in Table 2 below. A further breakdown of long-term investments is added at Table 2.1 and a list of loans and investments is detailed at Appendix 2.

Table 2: Treasury Management Summary

| | 31.3.23 Balance £m | Movement £m | 31.3.24 Balance £m | 31.3.24 Rate % |
|---------------------------|-----------------------------------|------------------------|-----------------------------------|-------------------------------|
| Long-term borrowing | 385 | (26) | 359 | 2.90 |
| Short-term borrowing | 0 | 0 | 0 | 0 |
| Total borrowing | 385 | (26) | 359 | 2.90 |
| Long-term investments* | (15) | 0 | (15) | 3.35 |
| Short-term investments | (75) | 41 | (34) | 5.09 |
| Cash and cash equivalents | (1) | 0 | (1) | 3.20 |
| Total investments | (91) | 41 | (50) | 4.56 |
| Net position | 294 | 15 | 309 | 3.10 |

*Long term investments include the CCLA Property Fund, Supranational and Corporate Bonds investments at market valuation and fixed deposits with over 1 year to maturity

Table 2:1 Breakdown of Long-Term Investments

| | 31.3.23 Balance £m | Movement £m | 31.3.24 Balance £m |
|------------------------------------|-----------------------------------|------------------------|-----------------------------------|
| Fixed Deposits | (10) | 5 | (5) |
| CCLA LA Property Fund | (5) | 0 | (5) |
| Supranational and Corporate Bonds | 0 | (5) | (5) |
| Total Long-Term Investments | (15) | 0 | (15) |

4. Borrowing Update

- 4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.
- 4.2 The Council has reviewed its capital programme in light of changes to the CIPFA Prudential Code and PWLB lending arrangements to ensure that borrowing to invest primarily for commercial return is no longer undertaken.

- 4.3 At 31st March 2024 the Council held £359m of loans, (a decrease of £26m to the 31st March 2023 position) as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

| | 31.3.23 Balance £m | Net Movement £m | 31.3.24 Balance £m | 31.3.24 Weighted Average Rate % | 31.3.24 Weighted Average Maturity (years) |
|-------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|--|
| Public Works Loan Board | 375.3 | (26.3) | 349.0 | 2.850 | 25.3 |
| Banks (LOBO) | 5.0 | - | 5.0 | 4.700 | 56.6 |
| Banks (fixed-term) | 5.0 | - | 5.0 | 4.395 | 52.5 |
| Total borrowing | 385.3 | (26.3) | 359.0 | 2.897 | 26.1 |

- 4.4 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 4.5 In keeping with these objectives, no new borrowing was undertaken, while £7.6m of existing loans matured without replacement
- 4.6 Early repayment of £18.7m of PWLB loans for the purpose of realigning the borrowing portfolio with revised capital plans over the medium term was undertaken in November 2023 (as previously reported in the Treasury Management Mid-Year Review 2023/24)
- 4.7 These measures enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 4.8 LOBO loans: The Council continues to hold a £5m LOBO (Lender's Option Borrower's Option) loan where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The lenders option does not become due until 2028.

5. Other Debt Activity

- 5.1 After £0.97m repayment of prior years' Private Finance Initiative liabilities, total debt other than borrowing stood at £14.1m on 31st March 2024, taking total debt to £373.1m

6. Treasury Investment Activity

- 6.1 The CIPFA Treasury Management Code now defines treasury management investments as investments that 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.
- 6.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £49 million and £102 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 | Net Movement £m | 31.3.24 Balance £m | 2023/24 Income Return % | 2023/24 Weighted Average Maturity days |
|---|-----------------------------------|--------------------------------|-----------------------------------|--|---|
| Banks & building societies (unsecured) | 5.8 | (5.5) | 0.3 | 3.2 | 1 |
| Local Authorities | 48.0 | (13.0) | 35.0 | 4.95 | 194 |
| DMO (Govt) Deposits | 20.0 | (20.0) | 0.0 | | |
| Government Bonds | 0.0 | 2.0 | 2.0 | 4.44 | 5493 |
| Corporate bonds | 0.0 | 3.3 | 3.3 | 4.28 | 1871 |
| Money Market Funds | 8.4 | (3.9) | 4.5 | 5.2 | 1 |
| Other Pooled Funds: | | | | | |
| - <i>Cash plus fund</i> | 4.0 | (4.0) | 0.0 | | |
| - <i>Property fund</i> | 4.6 | (0.2) | 4.4 | 5.02 | |
| Total investments | 90.8 | (41.3) | 49.5 | 4.91 | |

- 6.3 Both the CIPFA Code and government guidance require the Council 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 Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4 Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Rates on the Council’s Money Market Funds also rose and were between 4.0% and 5.37%.
- 6.5 The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 5 below.

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

| At 31st March 2024 | Credit Score | Credit Rating | Bail-in Exposure | Weighted Average Maturity (days) | Rate of Return % |
|--------------------|--------------|---------------|------------------|----------------------------------|------------------|
| Torbay Council | 4.86 | A+ | 11% | 556 | 4.91 |
| Similar LAs | 4.95 | A+ | 64% | 58 | 5.13 |
| All LAs | 4.82 | A+ | 61% | 9 | 5.07 |

- 6.6 At the commencement of the year £48million of the investment portfolio was locked into fixed deposits with local authorities on varying maturities and at rates ranging from 3.80% to 4.70%. £33m of these matured during the year and included within new deals were £15m of 1-year deals at 5.85% and 5.95%. At year-end LA deposits stood at £35m.
- 6.7 As part of a strategy to diversify the portfolio the Director of Finance approved investment of £5million into two market bonds with published yields of 4.439% and 4.284%. These investments give security of return over the longer term.
- 6.8 Throughout the year remaining funds were placed in short term deals with the UK governments’ DMADF facility and in liquid Money Market Funds to enable the Council’s policy of internal borrowing for capital funding and for proposed strategic investments.
- 6.9 **Externally Managed Pooled Funds:** £5m of the Council’s investments are invested in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-

term price stability. These funds generated an income return of £0.3m (5.20%) and an unrealised capital loss of £0.2m (-4.34%).

7. Non-Treasury Investments

- 7.1 The definition of investments in CIPFA's Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council 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) or for commercial purposes (made primarily for financial return).
- 7.2 The outturn position of the Council's non-treasury investments will form part of the Statement of Accounts 2023/24 and will be reported with the usual level of detail within the Treasury Management 2024/25 mid-year review.

8. Treasury Performance

- 8.1 The financial performance of the Council's direct treasury management activities in terms of its impact on the revenue budget is shown in table 6 below.

Table 6: Performance

| As at 31st March 2024 | Budget 2023/24 | Outturn 2023/24 | Variation |
|---|---------------------------|----------------------------|------------------|
| | £M | £M | £M |
| Investment Income | (1.3) | (3.7) | (2.4) |
| Interest Paid on Borrowing | 13.4 | 11.1 | (2.3) |
| Net Position (Interest) | 12.1 | 7.4 | (4.7) |
| Minimum Revenue Provision (excl. PFI) | 6.8 | 7.2 | 0.4 |
| Gross premium on PWLB repayment | 0.0 | 1.2 | 1.2 |
| Amortised discount on PWLB repayments | 0.0 | (0.1) | (0.1) |
| Net Position (Other) | 6.8 | 8.3 | 1.5 |
| Net Position Overall | 18.9 | 15.7 | (3.2) |

9. Compliance

- 9.1 The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Compliance with specific limits is demonstrated in table 7 below.

Table 7: Investment Limits

| | 2023/24 Maximum | 31.3.24 Actual | 2023/24 Limit | Complied? Yes/No |
|---|----------------------------|---------------------------|--------------------------|-----------------------------|
| Any single organisation, except the UK Government | £9m | £5m | £15m | Yes |
| Unsecured investments with banks and building societies | £5m | - | £6m | Yes |
| Money Market Funds | £9m | £4m | £15m | Yes |
| Strategic pooled funds | £5m | £5m | £10m | Yes |

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

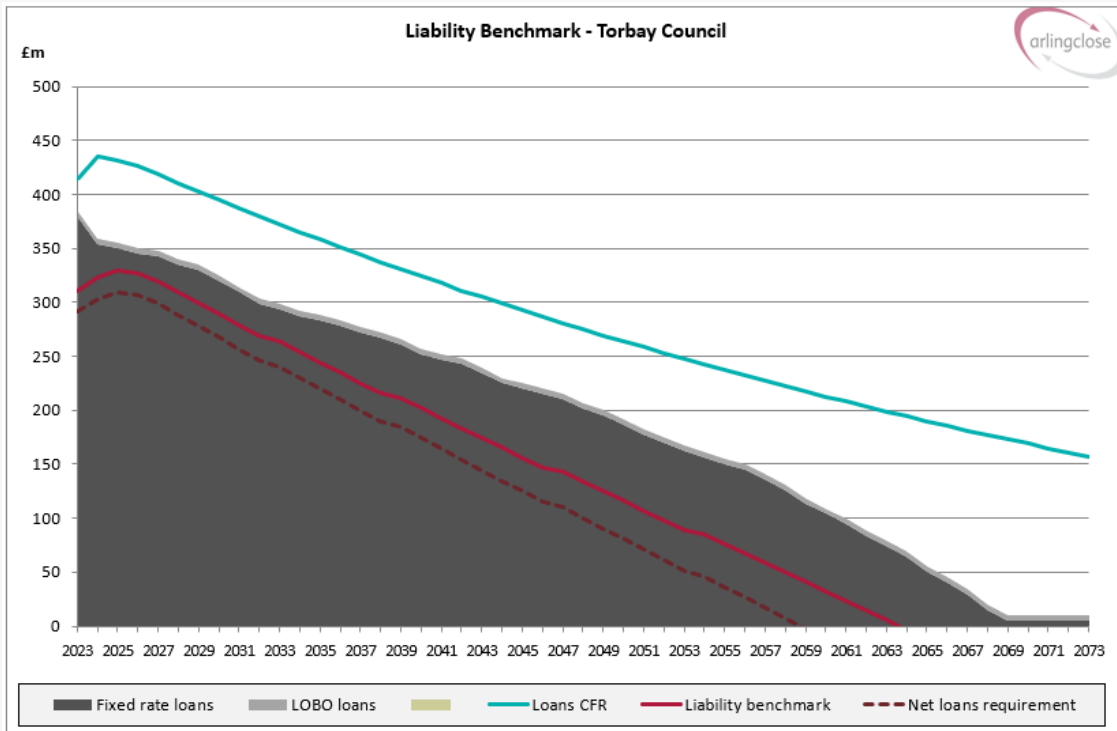
Table 8: Debt Limits

| | 2023/24 Maximum | 31.3.24 Actual | 2023/24 Operational Boundary | 2023/24 Authorised Limit | Complied? Yes/No |
|----------------------|----------------------------|---------------------------|---|---|-----------------------------|
| Borrowing | £385m | £359m | £500m | £600m | Yes |
| PFI & Finance Leases | £15m | £14m | £20m | £20m | Yes |
| Total Debt | £400m | £373m | £520m | £620m | Yes |

9.2 **Treasury Management Indicators:** The Council measures and manages its exposures to treasury management risks using the following indicators.

Liability Benchmark This new indicator compares the Council’s actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

The latest estimate of the Liability Benchmark is illustrated in the graph below demonstrating maturing borrowing levels remaining above the benchmark over the long term with scope for future treasury management decisions to reduce the margin.



Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating/credit score of its investment portfolio. The credit score is calculated by applying a value to each investment (AAA=1, AA+=2, A=6 etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| | 31.3.24 Actual | 2023/24 Target | Complied? |
|---|-------------------|-------------------|-----------|
| Portfolio average credit rating (score) | A+ (5) | A (6) | Yes |

Liquidity: The Council 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 one-month period, without additional borrowing.

| | 31.3.24 Actual | 2023/24 Target | Complied? |
|---------------------------------------|-------------------|-------------------|-----------|
| Total cash available within one month | £10M | £10M | Yes |

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

| | 31.3.24 Actual | Upper Limit | Lower Limit | Complied? |
|-----------------|-------------------|----------------|----------------|-----------|
| Under 12 months | 2% | 40% | 0% | Yes |

| | | | | |
|------------------------------|-----|-----|----|-----|
| 12 months - within 24 months | 2% | 40% | 0% | Yes |
| 24 months and within 5 years | 4% | 30% | 0% | Yes |
| 5 years and within 10 years | 12% | 40% | 0% | Yes |
| 10 years and within 20 years | 16% | 50% | 0% | Yes |
| 20 years and within 30 years | 8% | 60% | 0% | Yes |
| 30 years and within 40 years | 36% | 50% | 0% | Yes |
| 40 years and over | 20% | 50% | 0% | Yes |

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

| | 2023/24 | 2024/25 | 2025/26 |
|---|---------|---------|---------|
| Actual principal invested beyond year end | £15m | £15m | £10m |
| Limit on principal invested beyond year end | £40m | £40m | £40m |
| Complied? | Yes | Yes | Yes |

10. Other

- 10.1 **Statutory override:** In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended until 31st March 2025, but no other changes have been made; whether the override will be extended beyond this date is unknown but commentary to the consultation outcome suggests it will not. The Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.
- 10.2 **Consultations:** In December DLUHC published two consultations: a "final" consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a "call for views" on capital measures to improve sector stability and efficiency closing on 31st January.

Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to:

- (a) make no MRP on parts of the capital financing requirement (CFR)
- (b) to use capital receipts in lieu of a revenue charge for MRP.

In its call for views on capital measures, government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage 'invest-to-save' activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified various options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

- 10.3 **Member training:** The CIPFA Code requires the Chief Finance Officer to ensure that members with responsibility for treasury management receive adequate training. In compliance with this, a comprehensive briefing and training event was held on 6th December 2023, delivered by Arlingclose and the Director of Finance.

10.4 Change to approved investment limits 2024/25:

In September 2023 Council approved a variation to the Treasury Management Strategy to enable greater diversification into longer term investments initially through the bond investments outlined in para 6.7 above. A revision to the time limits of the investment instruments associated with this strategy is proposed and recommended as part of this report.

Furthermore, the Director of Finance agreed a revolving credit facility with a Registered Housing Provider (RHP) in April 2024. In order to finalise this investment an amendment is required to the 2024/25 Treasury Management Strategy in respect of the credit rating of RHP's.

The key points of the arrangement are:

- **Facility start date:** Before end of June 2024
- **Term:** 3 years (plus 2 one-year extensions)
- **Interest rate when drawn:** 2.5% over Bank Rate
- **Non-utilisation fee:** 0.275%
- **Credit Facility Value:** £5m (Total revolving credit facility of £50m funded by Local Authorities)

This is an approved investment within the Treasury Management Strategy 2024/25 for counterparties rated as A or above. The RHP in question is rated A- and the Director of Finance has assessed this as acceptable in terms of overall risk when agreeing the deal under delegated powers.

Accordingly changes to the approved strategy limit in Table 9 of Appendix 3 of the Treasury Management Strategy 2024/25 are recommended as set out below:

Table 9: Approved investment counterparties and limits

| Sector | Time limit | Counterparty limit | Sector limit |
|---|------------|--------------------|--------------|
| The UK Government | 3 years | Unlimited | n/a |
| Local authorities & other government entities | 25 years | £15m | Unlimited |
| Secured investments * | 25 years | £15m | Unlimited |
| Banks (secured)* | 25 years | £15m | Unlimited |
| Banks (unsecured) * | 13 months | £6m | Unlimited |
| Building societies (unsecured) * | 13 months | £6m | £18m |
| Registered providers (unsecured) * | 3 years | £6m | £20m |
| Money market funds * | n/a | £15m | Unlimited |
| Strategic pooled funds | n/a | £10m | £30m |
| Real estate investment trusts | n/a | £10m | £20m |
| Other investments * | 3 years | £6m | £15m |

This table should be read in conjunction with the notes below

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

Appendix 1

Economic Commentary (provided by Arlingclose, April 2024)

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the

relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

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Borrowing and Investment Portfolio at 31st March 2024

Long Term Borrowing

| Name | Principal £ | Interest Rate | Start Date | Maturity Date |
|--------------------------|-------------|---------------|------------|---------------|
| Barclays Bank PLC (NRFB) | 5,000,000 | 4.700% | 25/09/2006 | 25/09/2076 |
| Dexia Credit Local | 5,000,000 | 4.395% | 05/11/2007 | 07/11/2078 |
| Public Works Loan Board | 3,000,000 | 4.150% | 13/12/2005 | 14/02/2046 |
| Public Works Loan Board | 2,000,000 | 4.050% | 23/12/2005 | 14/02/2051 |
| Public Works Loan Board | 2,000,000 | 4.450% | 14/07/2006 | 14/08/2036 |
| Public Works Loan Board | 4,000,000 | 4.350% | 19/07/2006 | 15/11/2036 |
| Public Works Loan Board | 2,000,000 | 4.400% | 19/07/2006 | 15/11/2034 |
| Public Works Loan Board | 2,337,000 | 4.400% | 02/08/2006 | 15/05/2037 |
| Public Works Loan Board | 2,000,000 | 4.400% | 11/08/2006 | 15/12/2037 |
| Public Works Loan Board | 2,000,000 | 4.100% | 28/09/2006 | 15/12/2041 |
| Public Works Loan Board | 3,000,000 | 4.150% | 03/11/2006 | 15/06/2038 |
| Public Works Loan Board | 2,000,000 | 4.100% | 03/11/2006 | 15/12/2041 |
| Public Works Loan Board | 4,000,000 | 4.100% | 07/12/2006 | 15/01/2052 |
| Public Works Loan Board | 4,000,000 | 4.350% | 25/01/2007 | 15/10/2042 |
| Public Works Loan Board | 3,000,000 | 4.450% | 31/01/2007 | 15/03/2048 |
| Public Works Loan Board | 4,000,000 | 4.350% | 02/03/2007 | 15/07/2043 |
| Public Works Loan Board | 4,000,000 | 4.300% | 08/03/2007 | 15/07/2049 |
| Public Works Loan Board | 2,000,000 | 4.300% | 08/03/2007 | 15/07/2050 |
| Public Works Loan Board | 2,000,000 | 4.500% | 20/08/2007 | 15/09/2052 |
| Public Works Loan Board | 2,000,000 | 4.500% | 27/11/2007 | 15/01/2035 |
| Public Works Loan Board | 2,000,000 | 4.420% | 07/01/2008 | 15/03/2041 |
| Public Works Loan Board | 2,000,000 | 4.420% | 24/01/2008 | 15/03/2040 |
| Public Works Loan Board | 3,000,000 | 4.380% | 10/09/2008 | 15/04/2058 |
| Public Works Loan Board | 3,000,000 | 4.200% | 02/07/2009 | 15/09/2024 |
| Public Works Loan Board | 3,000,000 | 4.390% | 10/08/2009 | 15/04/2027 |
| Public Works Loan Board | 3,000,000 | 4.480% | 10/08/2009 | 15/04/2044 |
| Public Works Loan Board | 5,000,000 | 4.250% | 24/08/2009 | 24/08/2032 |
| Public Works Loan Board | 5,000,000 | 4.010% | 13/10/2009 | 15/06/2029 |
| Public Works Loan Board | 5,000,000 | 4.380% | 10/05/2010 | 15/07/2025 |
| Public Works Loan Board | 61,587 | 4.500% | 21/04/1999 | 21/03/2059 |
| Public Works Loan Board | 252,508 | 4.750% | 21/04/1999 | 21/03/2059 |
| Public Works Loan Board | 615,872 | 4.750% | 28/07/1999 | 28/03/2059 |
| Public Works Loan Board | 636,401 | 4.750% | 28/07/1999 | 28/03/2059 |
| Public Works Loan Board | 1,437,035 | 4.750% | 28/07/1999 | 28/03/2059 |
| Public Works Loan Board | 944,337 | 4.500% | 09/08/1999 | 09/03/2058 |
| Public Works Loan Board | 392,105 | 4.750% | 10/08/1999 | 10/03/2054 |
| Public Works Loan Board | 410,581 | 4.500% | 12/08/1999 | 12/03/2057 |
| Public Works Loan Board | 266,591 | 4.875% | 02/12/2002 | 30/09/2027 |
| Public Works Loan Board | 207,974 | 4.750% | 11/03/2004 | 11/09/2033 |
| Public Works Loan Board | 410,581 | 4.750% | 01/04/2004 | 01/03/2034 |
| Public Works Loan Board | 410,581 | 4.950% | 08/07/2004 | 08/03/2034 |
| Public Works Loan Board | 410,581 | 4.250% | 21/11/2005 | 21/09/2032 |
| Public Works Loan Board | 410,581 | 4.150% | 13/12/2005 | 13/09/2055 |
| Public Works Loan Board | 410,581 | 4.100% | 19/12/2005 | 19/03/2051 |

| Name | Principal £ | Interest Rate | Start Date | Maturity Date |
|-------------------------|--------------------|----------------------|-------------------|----------------------|
| Public Works Loan Board | 410,581 | 3.900% | 11/01/2006 | 11/03/2055 |
| Public Works Loan Board | 410,581 | 4.300% | 13/04/2006 | 13/09/2041 |
| Public Works Loan Board | 410,581 | 4.400% | 28/04/2006 | 30/09/2051 |
| Public Works Loan Board | 410,581 | 4.200% | 23/05/2006 | 30/09/2047 |
| Public Works Loan Board | 1,231,744 | 4.400% | 29/06/2006 | 29/09/2053 |
| Public Works Loan Board | 205,291 | 4.250% | 19/07/2006 | 19/09/2055 |
| Public Works Loan Board | 615,872 | 4.250% | 25/08/2006 | 25/09/2055 |
| Public Works Loan Board | 410,581 | 4.200% | 31/08/2006 | 30/09/2051 |
| Public Works Loan Board | 615,872 | 4.200% | 19/09/2006 | 19/09/2051 |
| Public Works Loan Board | 410,581 | 4.050% | 29/09/2006 | 29/09/2051 |
| Public Works Loan Board | 1,231,744 | 4.250% | 16/01/2007 | 16/03/2052 |
| Public Works Loan Board | 410,581 | 4.500% | 11/04/2007 | 11/09/2054 |
| Public Works Loan Board | 410,582 | 4.430% | 21/01/2008 | 21/09/2037 |
| Public Works Loan Board | 1,560,207 | 4.875% | 08/08/2002 | 08/03/2027 |
| Public Works Loan Board | 5,000,000 | 2.540% | 22/02/2017 | 15/05/2061 |
| Public Works Loan Board | 5,000,000 | 2.480% | 28/02/2017 | 15/05/2062 |
| Public Works Loan Board | 5,000,000 | 2.350% | 12/04/2017 | 15/05/2063 |
| Public Works Loan Board | 5,000,000 | 2.270% | 19/04/2017 | 15/06/2064 |
| Public Works Loan Board | 5,000,000 | 2.280% | 26/06/2017 | 15/08/2065 |
| Public Works Loan Board | 5,000,000 | 2.360% | 21/07/2017 | 30/09/2030 |
| Public Works Loan Board | 5,000,000 | 2.400% | 26/07/2017 | 30/09/2031 |
| Public Works Loan Board | 5,000,000 | 2.440% | 26/07/2017 | 30/09/2066 |
| Public Works Loan Board | 5,000,000 | 2.370% | 15/08/2017 | 31/03/2061 |
| Public Works Loan Board | 5,000,000 | 2.580% | 25/09/2017 | 15/11/2059 |
| Public Works Loan Board | 2,000,000 | 2.540% | 26/09/2017 | 15/11/2062 |
| Public Works Loan Board | 3,000,000 | 2.520% | 27/09/2017 | 15/11/2064 |
| Public Works Loan Board | 2,000,000 | 2.520% | 27/09/2017 | 15/11/2065 |
| Public Works Loan Board | 5,000,000 | 2.260% | 06/10/2017 | 15/09/2028 |
| Public Works Loan Board | 5,000,000 | 2.500% | 06/10/2017 | 15/09/2067 |
| Public Works Loan Board | 5,000,000 | 2.500% | 19/10/2017 | 15/12/2059 |
| Public Works Loan Board | 5,000,000 | 2.500% | 19/10/2017 | 15/12/2060 |
| Public Works Loan Board | 8,000,000 | 2.570% | 16/11/2017 | 31/03/2057 |
| Public Works Loan Board | 6,000,000 | 2.490% | 16/11/2017 | 31/03/2065 |
| Public Works Loan Board | 6,000,000 | 2.510% | 16/11/2017 | 31/03/2062 |
| Public Works Loan Board | 4,000,000 | 2.550% | 16/11/2017 | 31/03/2058 |
| Public Works Loan Board | 6,000,000 | 2.490% | 16/11/2017 | 30/09/2066 |
| Public Works Loan Board | 4,000,000 | 2.160% | 24/11/2017 | 31/03/2028 |
| Public Works Loan Board | 6,000,000 | 2.610% | 24/11/2017 | 31/03/2049 |
| Public Works Loan Board | 5,000,000 | 2.530% | 24/11/2017 | 31/03/2053 |
| Public Works Loan Board | 5,000,000 | 2.510% | 24/11/2017 | 30/09/2033 |
| Public Works Loan Board | 5,000,000 | 2.520% | 05/06/2018 | 15/01/2048 |
| Public Works Loan Board | 5,000,000 | 2.540% | 10/07/2018 | 31/03/2047 |
| Public Works Loan Board | 3,000,000 | 2.370% | 21/02/2019 | 31/03/2066 |
| Public Works Loan Board | 2,000,000 | 2.360% | 26/02/2019 | 31/03/2063 |
| Public Works Loan Board | 3,000,000 | 2.380% | 12/03/2019 | 31/03/2036 |
| Public Works Loan Board | 2,000,000 | 2.320% | 25/03/2019 | 31/03/2036 |
| Public Works Loan Board | 2,000,000 | 2.410% | 25/03/2019 | 31/03/2040 |
| Public Works Loan Board | 2,000,000 | 2.420% | 25/03/2019 | 31/03/2041 |
| Public Works Loan Board | 2,000,000 | 2.350% | 27/03/2019 | 31/03/2045 |

| Name | Principal £ | Interest Rate | Start Date | Maturity Date |
|-------------------------|--------------------|---------------|------------|---------------|
| Public Works Loan Board | 2,000,000 | 2.350% | 27/03/2019 | 31/03/2046 |
| Public Works Loan Board | 4,000,000 | 2.250% | 28/05/2019 | 31/03/2068 |
| Public Works Loan Board | 3,000,000 | 2.280% | 30/05/2019 | 31/03/2039 |
| Public Works Loan Board | 5,000,000 | 2.150% | 06/06/2019 | 31/03/2068 |
| Public Works Loan Board | 5,000,000 | 2.140% | 08/07/2019 | 31/03/2044 |
| Public Works Loan Board | 5,000,000 | 1.900% | 13/08/2019 | 31/03/2064 |
| Public Works Loan Board | 5,000,000 | 1.730% | 19/08/2019 | 31/03/2069 |
| Public Works Loan Board | 5,000,000 | 1.720% | 05/09/2019 | 31/03/2050 |
| Public Works Loan Board | 5,000,000 | 1.850% | 16/09/2019 | 31/03/2058 |
| Public Works Loan Board | 5,000,000 | 1.530% | 17/09/2019 | 31/03/2030 |
| Public Works Loan Board | 5,000,000 | 1.950% | 17/09/2019 | 31/03/2054 |
| Public Works Loan Board | 5,000,000 | 1.860% | 23/09/2019 | 31/03/2040 |
| Public Works Loan Board | 5,000,000 | 1.810% | 23/09/2019 | 31/03/2056 |
| Public Works Loan Board | 5,000,000 | 1.520% | 23/09/2019 | 31/03/2031 |
| Public Works Loan Board | 5,000,000 | 1.740% | 23/09/2019 | 31/03/2069 |
| Public Works Loan Board | 6,000,000 | 2.900% | 06/12/2019 | 31/03/2059 |
| Public Works Loan Board | 5,000,000 | 2.430% | 03/02/2020 | 30/09/2031 |
| Public Works Loan Board | 5,000,000 | 2.760% | 03/02/2020 | 31/03/2055 |
| Public Works Loan Board | 5,000,000 | 2.240% | 11/03/2020 | 31/03/2043 |
| Public Works Loan Board | 5,000,000 | 2.210% | 11/03/2020 | 31/03/2051 |
| Public Works Loan Board | 1,666,667 | 1.420% | 22/02/2017 | 15/05/2027 |
| Public Works Loan Board | 2,901,962 | 2.290% | 26/07/2017 | 30/09/2042 |
| | 358,928,910 | | | |

Long Term Investments

| Name | Principal £ | Interest Rate | Start Date | Maturity Date |
|--------------------------|-------------------|---------------|------------|---------------|
| European Investment Bank | 3,000,000 | 4.439% | 20/03/2024 | 15/04/2039 |
| BNG Bank INV | 2,000,000 | 4.284% | 20/03/2024 | 15/05/2024 |
| Medway Council | 5,000,000 | 4.200% | 24/02/2023 | 04/04/2025 |
| CCLA Property Fund | 5,000,000 | 5.020% | n/a | n/a |
| | 15,000,000 | | | |

Short Term Investments

| Name | Principal £ | Interest Rate | Start Date | Maturity Date |
|--|-------------------|---------------|------------|---------------|
| Borough of Kingston Upon Hull | 5,000,000 | 5.500% | 06/11/2023 | 06/08/2024 |
| Watford Borough Council | 5,000,000 | 5.850% | 19/09/2023 | 19/09/2024 |
| Highland Council | 5,000,000 | 4.200% | 10/03/2023 | 10/03/2025 |
| Wakefield Metropolitan Borough Council | 5,000,000 | 5.950% | 11/09/2023 | 09/09/2024 |
| Wokingham Borough Council | 5,000,000 | 5.950% | 02/10/2023 | 09/09/2024 |
| London Borough of Newham | 5,000,000 | 4.720% | 19/06/2023 | 19/04/2024 |
| Goldman Sachs Money Market Fund | 850,000 | 5.131% | n/a | n/a |
| CCLA Public Sector Deposit Fund | 50,000 | 5.218% | n/a | n/a |
| Aviva Investors Money Market Fund | 50,000 | 5.268% | n/a | n/a |
| Legal & General Money Market fund | 3,600,000 | 5.220% | n/a | n/a |
| | 34,550,000 | | | |

Cash & Cash Equivalents

| Name | Principal £ | Interest Rate | Start Date | Maturity Date |
|---------------------------|----------------|---------------|------------|---------------|
| National Westminster Bank | 289,134 | 3.200% | n/a | n/a |
| | 289,134 | | | |

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Meeting: Audit Committee

Date: 24 July 2024

Wards Affected: All

Report Title: Risk Management Update

Is the decision a key decision? No

When does the decision need to be implemented? N/A

Cabinet Member Contact Details: Councillor Jackie Thomas, Cabinet Member for Tourism, Culture & Events and Corporate Services, jackie.thomas@torbay.gov.uk

Director Contact Details: Matthew Fairclough-Kay, Director of Corporate Services
matthew.fairclough-kay@torbay.gov.uk

1. Introduction

- 1.1 This report is provided to Members to update them on the Council's current risk position and make them aware of any notable information with regards to the Council's overall risk management arrangements. It is the first of three risk reports that will be presented to Audit Committee for financial year 2024/25.
- 1.2 Following the last Audit Committee review of risk, direction of travel arrows have been added to the appended reports. These arrows show the previous and current direction of travel for each risk so that the Committee can take a view on any trends that present in the management of individual risks and overall trends across the risk portfolio
- 1.3 Since 1st April 2023, the Council has made very good progress in embedding its new risk management framework and implementing the actions as detailed in its initial Risk Management Improvement Plan. This was confirmed by an audit that took place during November and December 2023 by Devon Audit Partnership (DAP) who were "reasonably assured" by our Council's risk arrangements.
- 1.4 DAP made 21 observations where improvements could be made to the Council's risk management arrangements. A proportion of these have been implemented already. The remainder have been incorporated into a Phase 2 Improvement Plan as they will need consideration and take longer to embed.
- 1.5 A 5 x 5 risk matrix is used to score the risks, meaning the maximum score a risk could be is 25. All risks that have a mitigated risk score of 16 or above (therefore considered to be high or very high risk for the Council) are detailed in the supporting appendices of this report – Appendix A shows the Council's strategic risks which are scoring 16 or above and Appendix B shows the Council's corporate risks which are scoring 16 or above.

- 1.6 The Council’s Risk Management Policy includes a description of the roles and responsibilities in relation to risk management. In respect of Cabinet and Audit Committee, the Policy says:

“The Cabinet members and members of Audit Committee are to ensure the Council has risk management processes in place and these are carried out proportionately and effectively. They will review and challenge the information supplied on the risk reports.”

In practical terms it is expected that Cabinet members would have oversight of the risks which are relevant to their areas and approve the Risk Management Policy, with Audit Committee focusing on overall processes and effectiveness of the Council’s risk management arrangements.

2. Risk Overview

- 2.1 The Council currently has eight Strategic Risks and 62 Corporate Risks appearing on its risk registers.
- 2.2 The eight Strategic Risks all have **unmitigated** scores of 16 or above. As at the time of drafting this report, three have **mitigated** scores of 16 and above.
- 2.3 38 of the 62 Corporate Risks have **unmitigated** scores of 16 or above. 12 risks have **mitigated** scores of 16 and above.
- 2.4 Risks that have scores of 16 or above highlight that there is a probability that it is likely/almost certain that should the risk occur, it would have a major or critical impact on the business. Below are the risk matrixes for the Council’s Strategic and Corporate Risk Registers. They show the number of risks that appear for each score.

Risk Matrix - Mitigated Strategic Risks as at 09 July 2024

| | 1 - Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost certain |
|-------------------|----------|--------------|--------------|------------|--------------------|
| 5 - Critical | 0 | 1 | 1 | 1 | 0 |
| 4 - Major | 0 | 0 | 1 | 2 | 0 |
| 3 - Moderate | 0 | 0 | 1 | 1 | 0 |
| 2 - Minor | 0 | 0 | 0 | 0 | 0 |
| 1 - Insignificant | 0 | 0 | 0 | 0 | 0 |

Total Risks = 8

Risk Matrix - Mitigated Corporate Risks as at 09 July 2024

| | 1 - Rare | 2 - Unlikely | 3 - Possible | 4 - Likely | 5 - Almost certain |
|-------------------|----------|--------------|--------------|------------|--------------------|
| 5 - Critical | 0 | 4 | 6 | 4 | 1 |
| 4 - Major | 0 | 7 | 11 | 5 | 2 |
| 3 - Moderate | 0 | 5 | 11 | 4 | 1 |
| 2 - Minor | 0 | 0 | 1 | 0 | 0 |
| 1 - Insignificant | 0 | 0 | 0 | 0 | 0 |

Total Risks = 62

Strategic Risks (mitigated 16 or above)

| Code | Risk Title | Last Mitigated Score |
|------|---|----------------------|
| ST03 | Failure to have good economic growth that allows us to address the needs of the most vulnerable | 16 |
| ST05 | Failure to supply sufficient housing for Torbay’s needs | 20 |
| ST09 | Failure to adapt to a changing climate | 16 |

Corporate Risks (mitigated 16 or above)

| Code | Risk Title | Last Mitigated Score |
|------|---|----------------------|
| CP17 | Placement sufficiency | 25 |
| CP04 | Large scale cyber attack | 20 |
| CP06 | Failure for our wholly owned companies to comply with H&S, fire, environmental legislation. | 16 |
| CP14 | Delivery of SEND | 20 |
| CP15 | Failure to stabilise the budget for the Higher Needs block | 20 |
| CP18 | Demand on services outstrips resource and budget | 20 |
| CP19 | Recruitment and retention of Social Workers | 20 |
| CP46 | Effective Housing delivery | 20 |
| CP47 | Effective delivery of Economic Growth Strategy | 16 |
| CP52 | Failure to effectively maintain the council's assets & estate | 16 |
| CP56 | Failure to meet Care Act 2014 section five (one) | 16 |
| CP63 | Potential loss of data through cyber breach (Adult Social Care) | 16 |

3. Risk Reviews

3.1 At the time of writing this report, all risks appearing on the Council's Strategic and Corporate Risk Registers have been reviewed (updated) in accordance with the timescales set out in our Risk Management Framework.

4. Changes to our Strategic and Corporate Risk Registers

4.1 Directors are embedding risk conversations throughout our informal governance structures (i.e. meetings of Directors, Senior Leadership Team, and directorate management teams and appropriate one-to-ones). These conversations, quite rightly, lead to amendments to our Strategic and Corporate Risk Registers – as well as to Service Risk Registers which are managed by our Directors. Directors have also considered risks where mitigated scores haven't changed since their creation in 2023 to check and challenge whether the mitigation actions are having the desired effect or whether further mitigations are required.

4.2 Since the last report in March 2024, Directors have agreed that three new risks should be added to the Corporate Risk Register.

- CP61 - Failure to realise the benefits of devolution for Devon and Torbay
- CP62 - Deprivation of Liberty Safeguards waiting list (ICO under delegated tasks of Section 75 agreement)
- CP63 - Potential loss of data through cyber breach (Adult Social Care)

4.3 The risks where mitigated scores haven't changed since their creation in 2023 that the Directors have reviewed are:

- ST01 Adult Services Delivery
- ST03 Failure to have good economic growth that allows us to address the needs of the most vulnerable
- ST05 Failure to supply sufficient housing for Torbay's needs
- CP05 Failure to comply with Health & Safety legislation
- CP14 Delivery of SEND
- CP18 Demand on services outstrips resource and budget

- CP46 Effective Housing delivery
- CP50 Failure to meet Development Management national and local performance targets

4.4 Each risk has been reviewed in detail and in most cases resulted in mitigations being revised and/or new mitigations added. The only exceptions were CP14 and CP18 where the Directors agreed with the Director of Children’s Services view that the mitigations all remained current, and the scoring was accurate and a true reflection of the risk position.

5. Recommendation(s) / Proposed Decision

- (i) That the report be noted, and Audit Committee identify any issues it wishes to raise relating to the risks in Appendices A or B.

Appendices

Appendix A: Torbay Council’s Strategic Risks Report (risks scoring 16 and above)
 Appendix B: Torbay Council’s Corporate Risks Report (risks scoring 16 and above)

Background Documents

| Report clearance: | This report has been reviewed and approved by: | Date: |
|--------------------------------|---|--------------|
| Chief Executive | Anne-Marie Bond | 15/07/2024 |
| Monitoring Officer | Amanda Barlow | 15/07/2024 |
| Director Of Finance Officer | Malcolm Coe | 11/07/2024 |
| Director Of Corporate Services | Matthew Fairclough-Kay | 11/07/2024 |

| | | |
|---|---|--|
| Risk Code: ST03 | Failure to have good economic growth that allows us to address the needs of the most | Accountable Officer : Alan Denby |
| Unmitigated Score: Very High (25) | Description: Insufficient economic growth to address Torbay's inequality, poor skills, poor productivity and competitiveness leading to worsening the loss of working age population and an increase in the resident population living in deprived areas. | Risk Completion Officer : Lisa Tuck |
| Mitigated Current Score: High (16) | | Last Review Date : 25/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/04/2023 |
| Previous Direction of Travel: ▲ | | Previous Date of Change: 07/05/2024 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Deepen relationship with partner organisations | |
| Action ongoing | Deliver more affordable homes SPD | |
| Action completed | Deliver the town centre regeneration programmes | |
| Action ongoing | Develop & deliver an appropriate Economic Growth Strategy | |
| Action needed | Develop working relationships with key businesses, developers and landowners | |
| No Status Set | Healthy Torbay - Supplementary Planning Document | |
| No Status Set | Own / control housing stock via Tor Vista | |
| Action ongoing | Performance data | |
| Action ongoing | Public Health prevention | |
| Action needed | Review and update Local Plan | |
| Action ongoing | Secure additional investment | |
| Action ongoing | Social Value Principles | |
| Action ongoing | Support the continued development of the hi tech sector in Torbay | |
| Action ongoing | Supporting people with disabilities and LTC into work | |
| Latest Note: Economic Growth Strategy and action plan are undergoing a light touch review to be completed by September 2024 to review evidence bases, intelligence and reset priorities. Levelling Up funding secured to support projects to mitigate the risk. Social value policies and practice are being further embedded through the Community Wealth Building work and work with regeneration partners. | | |

| | | |
|---|---|--|
| Risk Code: ST05 | Failure to supply sufficient housing for Torbay's needs | Accountable Officer : Alan Denby |
| Unmitigated Score: High (20) | Description: Insufficient housing development to meet Torbay's need for suitable housing to meet local needs and anticipated population growth (including economic growth and affordable housing). The absence of a housing supply may also increase the risk of the Council having to accept development in areas that are less desirable. | Risk Completion Officer : David Edmondson |
| Mitigated Current Score: High (20) | | Last Review Date : 09/07/2024 |
| Current Direction of Travel: ▲ | | Identification Date: 30/04/2023 |
| Previous Direction of Travel: ▼ | | Previous Date of Change: 09/07/2024 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Brief members to increase political support & raise awareness of wider consequences of low growth | |
| Action ongoing | Brownfield regeneration | |
| Action ongoing | Delivery of appropriate regeneration sites particularly those linked to Town Deal and Future High St | |
| Action ongoing | Ensure appropriate figures for Housing numbers are in the revised Local Plan | |
| Action ongoing | Ensure Neighbourhood Plans are in place and supported | |
| Action ongoing | Evidence base (Housing Need) | |
| Action ongoing | Evidence base (Planning) | |
| Action ongoing | Housing Strategy | |
| Action ongoing | Housing strategy Action Plan | |
| Action ongoing | Land supply | |
| Action ongoing | Liaise with Government organisations | |
| Action ongoing | Partnership working | |
| Action ongoing | Planning Service Fit for the Future Project | |
| Action ongoing | Relationship with landowners and developers | |
| Action ongoing | Review 106 agreements and implement tighter planning controls | |
| Action needed | Review structure | |
| Action ongoing | Unlock stalled sites | |
| Latest Note: The risk score has been reassessed and increased back to 20 to allow the overall impact of a failure to supply to be properly identified. The mitigations which have been set out will address each of the probability and impact and it is expected that following sign off of the housing strategy delivery plan the probability score can be reduced. | | |

| | | |
|---|--|--|
| Risk Code: ST09 | Failure to adapt to a changing climate | Accountable Officer : Alan Denby |
| Unmitigated Score: High (16) | Description: Our climate is changing. We need to prepare for this. We need to understand where Torbay is currently vulnerable to weather events, and where we may be at risk in the future. Failure to review and plan for this will result in a range of negative economic, social and environmental impacts for the Council and wider Torbay area. | Risk Completion Officer : David Edmondson |
| Mitigated Current Score: High (16) | | Last Review Date : 10/06/2024 |
| Current Direction of Travel: — | | Identification Date: 22/01/2024 |
| Previous Direction of Travel: | | Previous Date of Change: |
| Mitigation status: | Mitigation: | |
| Action ongoing | Flood defences | |
| Action ongoing | Local Plan Policies | |
| Action ongoing | Review the Devon, Cornwall and Isles of Scilly Consultation Draft Adaptation Strategy | |
| Latest Note: Review of Adaptation Strategy completed, now need to develop Torbay specific actions. New Greener Council Action Plan going through Council Decision Making process. | | |

| | | |
|---|---|--|
| Risk Code: CP04 | Large scale cyber attack | Accountable Officer : Matt Fairclough-Kay |
| Unmitigated Score: Very High (25) | Description: A cyber-attack, most likely in the form of ransomware, resulting in the destruction or loss of access to all, or most, applications and data. Local government is now a specific target. Multi-system recovery will take weeks or months depending on scale. Routine, unsophisticated cyber-attacks are commonplace in the form of infected e-mail. (Also applies to SWISCo) | Risk Completion Officer : Gavin Dunphy |
| Mitigated Current Score: High (20) | | Last Review Date : 14/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2022 |
| Previous Direction of Travel: ▲ | | Previous Date of Change: 06/12/2023 |
| Mitigation status: | Mitigation: | |
| Action ongoing | 24-hour SOC | |
| Action ongoing | Azure Password Protection | |
| Action ongoing | Backup and recovery | |
| Action ongoing | Basic anti-ransomware protection on file servers | |
| Action ongoing | Cloud Migration | |
| Action ongoing | Decommissioning legacy (unsupported) applications | |
| Action not due to start | Implement Tiered Domains | |
| Action ongoing | Patching | |
| Action not due to start | Protective DNS | |
| Action ongoing | Web & E-mail content scanning | |
| Latest Note: Still in period of heightened risk due to anticipated election interference. Reviewing our adoption of National Cyber Security Centre tools and adherence to their published guidance. | | |

| | | |
|---|---|--|
| Risk Code: CP06 | Failure for our wholly owned companies to comply with H&S, fire, environmental legislation. | Accountable Officer : Matt Fairclough-Kay |
| Unmitigated Score: High (16) | Description: There continues to be risk of Health and Safety incidents within our wholly owned companies that undertake high risk activity. | Risk Completion Officer : Dave Walker |
| Mitigated Current Score: High (16) | | Last Review Date : 03/07/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2023 |
| Previous Direction of Travel: ▼ | | Previous Date of Change: 29/04/2024 |
| Mitigation status: | Mitigation: | |
| Action completed | Adequate Health and Safety resources available | |
| Action ongoing | Auditing of Assets/Sites | |
| No Status Set | Communication | |
| No Status Set | Ensure staff are aware of health and safety policies and procedures | |
| Action ongoing | External Liaison | |
| Action completed | Fire Safety Post | |
| Action ongoing | H&S Training | |
| Action ongoing | Health & Safety Management Auditing | |
| Action ongoing | Policies and procures in place | |
| Action completed | Reporting of H&S | |
| Latest Note: H&S resource has been moved to support SWISCo. TDA has been absorbed back into Torbay Council but risks remain with regards to fire safety management and asset management. Work is currently underway to mitigate this with the support of the recently appointed Fire Safety Officer | | |

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| Risk Code: CP14 | Delivery of SEND | Accountable Officer : Nancy Meehan |
| Unmitigated Score: Very High (25) | Description: The Local Area is required to deliver high quality SEND services in line with SEND Code of Practice 0 – 25 years – January 2015. In November 2021 the Local Area was inspected by Ofsted and CQC on the effectiveness of delivering the SEND duties. The Local Area was found to have significant areas of weakness in the area’s practice and as such required a written statement of action to be created and enacted to improve practice. | Risk Completion Officer : Lisa Chittenden |
| Mitigated Current Score: High (20) | | Last Review Date : 19/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2023 |
| Previous Direction of Travel: — | | Previous Date of Change: 17/05/2023 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Internal controls | |
| Action ongoing | Networking / best practice | |
| Action ongoing | P1 - Joint Commissioning | |
| Action ongoing | P2 – SEND Strategy | |
| Action ongoing | P3 – Cultural change | |
| Action ongoing | P4 – Joint working | |
| Action ongoing | P5 – Graduated response | |
| Action ongoing | P6 – Becoming an adult | |
| Action ongoing | P7 – Quality assurance and community engagement | |
| Action ongoing | Written Statement of Action for SEND Improvement | |
| Latest Note: The progress of our Written Statement of Action continues to be tracked and governed through our SEND Board and DFE Monitoring Visits. Risks and issues are identified through this process. Current risks are: resilience of all agencies to respond and systems changes need to ensure joint commissioning and financial contributions across agencies. The impact on children and young people although starting to change, is not felt widely enough across the system at this stage, as evidenced by our recent participation survey (May/June 2023). The Graduated Response has been widely communicated however the impact on the Requests for Statutory Assessment (RSA) is not yet being seen in the number of referrals received. A high rate of refusal is still seen at the panel, on average 40%. As per the last update from the DCS we are still seeing our data going in the wrong direction with a huge increase in RSAs which impact on the Education Health and Care Plan projection. We have a high refusal rate and also a number which are going to tribunal, with the tribunal timescales being shortened to a 10 week turn around. | | |

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| Risk Code: CP15 | Failure to stabilise the budget for the Higher Needs block | Accountable Officer : Nancy Meehan |
| Unmitigated Score: Very High (25) | Description: The Higher Needs Block of the Dedicated Schools Grant continues to be overspent. The forecast year end overspend (2022/23) is £2.716m with a cumulative deficit of £11.715m. The Higher Needs Block provides funding to education provisions through the provision of additional support either through identification at SEN K or through the provision set out in an Education Health and Care Plan. The identification of need and the demands on the budget are currently not aligned to the budget received on annual basis. The deficit position of the budget is currently supported by a National Statutory Override, this mechanism is in place for the next three years and provides a way of the Council accounting for the deficit, however this does not address the deficit budget position. In February 2022 Torbay were invited to take part in the Safety Valve programme. The aim of the programme is to agree a package of reform with the DfE and approved by the Secretary of State to implement a DSG Management Plan of the high needs system that will bring the dedicated schools grant (DSG) deficit under control by reducing the spend on the high needs budget by 26/27. Torbay were notified on 14.3.2023 that the Secretary of State had approved the proposals and as a result will support Torbay financially with the HNB deficit on the basis we can implement robustly the proposals within the DSG Management Plan. Torbay will be subject to 3 times a year monitoring visits as part of the scrutiny. | Risk Completion Officer : Lisa Chittenden |
| Mitigated Current Score: High (20) | | Last Review Date : 19/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2023 |
| Previous Direction of Travel: — | | Previous Date of Change: 17/05/2023 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Ceasing and reviewing Education Health and Care Plans | |
| Action ongoing | Control – Contributions from agencies | |
| Action ongoing | Control – Higher Needs Review Group | |
| Action ongoing | Control – IPOP panel | |
| Action ongoing | Control – SEND Board and Continuous Improvement Board | |
| Action ongoing | Early intervention and Prevention | |
| Action ongoing | Implement the DSG Management Plan | |
| Action ongoing | Learn from Best Practice | |
| Action ongoing | Performance data | |
| Action ongoing | Safety Valve | |
| Action ongoing | Workforce Development Programme | |
| Latest Note: The Safety Valve (SV) agreement came into place on 17th March 2023 providing the deficit budget position to be funded, subject to the ongoing delivery of the SV terms and conditions of the agreement. Three submissions of the progress made towards the Safety Valve have been provided to the Education and Skills Funding Agency in June, September and December. The financial position of the Dedicated Schools Grant reported to School Forum in November 2023, demonstrates that the budget is aligned to the outturn position of the Safety Valve, however there are significant pressures and risks as the demand for Education Health and Care Plans is not reducing and the number of plans that are able to be ceased is slowing. We have inputted some mitigations to try to reduce the number of Requests for Statutory Assessment (RSA) such as early Next Steps Meetings prior to RSAs and a robust and rigorous No to Issue standing at approximately 60% of RSAs submitted. However, the rate of which the RSAs are being submitted is currently 50% higher than our target of 15 per month. This is a high risk to all the previous cessation work which has occurred and therefore provides a high risk to the March deadline (of which we did not meet our plan numbers) and the May deadline for plans. | | |

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| Risk Code: CP17 | Placement sufficiency | Accountable Officer : Nancy Meehan |
| Unmitigated Score: Very High (25) | <p>Description: The Children's Social Care Market Study, undertaken by the Competition and Markets Authority and published in March 2022 found that there were a lack of available placements of the right kind and in the right places, which inevitably leads to some children not consistently accessing the care and accommodation that meet their needs. In addition, the largest private providers of placements are making materially higher profits, and charging materially higher prices, than would be expected if this market were functioning effectively. Taken together with a regional challenge in the South West which highlights that there was only 85 more local authority approved placement in July 2022 than in 2018 providing less than half of the required places for cared for children and fifteen fewer approved fostering households available through Independent Fostering Agencies. (Source The South West Market Position Statement, 13 July 2022), it constructs a care system landscape under significant stress in trying to respond to the needs of children and young people.</p> <p>Consequently, symptoms of the aforementioned stress are starting to become evident. For example, providers have reported an increase in the use of residential provision for younger children. Further description The South West Sufficiency Project data collection, shows a marked increase in the number of children aged under 11 placed in residential provision (across the South West, 493 children aged 5-10 years of age were placed in residential provision in 2018/19, 635 in 2019/20 and 647 in 2020/21). Whilst Torbay has not mirrored this trend, the increased use of this provision for younger children, likely driven by the aforementioned fostering sufficiency challenges, has led to insufficient availability of matched residential provision, especially for those children subject to criminal exploitation and contextual safeguarding risks and associated trauma-related needs. This trend and Torbay's use of residential solutions and the reasons for doing so will continue to be closely monitored.</p> | Risk Completion Officer : Lisa Chittenden |
| Mitigated Current Score: Very High (25) | | Last Review Date : 19/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2023 |
| Previous Direction of Travel: ▲ | | Previous Date of Change: 05/12/2023 |
| Mitigation status: | Mitigation: | |
| No Status Set | Edge of care | |
| Action ongoing | Enhanced placement planning | |
| Action needed | Former Foster Carer SGO scoping | |
| No Status Set | Fostering Recruitment | |
| Action ongoing | Parent and Child Placement | |
| Action needed | Resilience carers | |
| No Status Set | Reunification scoping | |
| Action ongoing | Training | |
| Latest Note: | | |
| This has been reviewed in light of the continued issue in relation to national placement sufficiency. Both the Fostering DFE report for 2022-23 and recent media attention in relation to the cost of care evidence the significant challenges which are impacting on placements at this time, hence the upgrading of likelihood to 'almost certain'. The placements budget is already projected an overspend, and there is a real risk of further pressures on the budget by virtue of some of these pressures. There is a huge pressure due to the independent market requesting huge increases in the cost for children already in their care which we are limited in influencing. There is a real concern about cost and there are challenges with receiving any health budget - as such this remains as a score of 25. | | |

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| Risk Code: CP18 | Demand on services outstrips resource and budget | Accountable Officer : Nancy Meehan |
| Unmitigated Score: High (20) | <p>Description: There are a number of factors currently which may lead to an increased demand for service across the Children's directorate which have the potential to significantly impact when considered in the context of available resource and budgets. This could manifest in * increased referrals in relation to social care response. * increased applications for school placements. * increased level of RSAs to meet SEND need. * increased numbers of cared for children due to family complexities. Increased numbers of UASC and those who turn 18 and become cared for National changes to the changes to the NTS. Sufficiency of placements both locally and nationally</p> | Risk Completion Officer : Lisa Chittenden |
| Mitigated Current Score: High (20) | | Last Review Date : 19/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2023 |
| Previous Direction of Travel: | | Previous Date of Change: |
| Mitigation status: | Mitigation: | |
| Action ongoing | Audit activity | |
| Action ongoing | Continued investment in Early Help services, including the roll out of the Family Hubs programme | |
| Action ongoing | Continued work within the Written Statement of Action SEND response. | |
| Action ongoing | Creative resource management | |
| Action ongoing | Use of cross-service Incident Management Teams | |
| Latest Note: | | |
| The risk for the service remains the same. We are continuing to closely monitor spend and are using data and performance data to project need and resource management. The service is currently predicting a significant overspend which we are continuing to monitor closely. | | |

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| Risk Code: CP19 | Recruitment and retention Of Social Workers | Accountable Officer : Nancy Meehan |
| Unmitigated Score: High (20) | Description: Ofsted's Annual Report 2021-22 highlights some of the workforce issues facing children's social care; whilst challenges in terms of recruitment and retention were present prior to the pandemic, they have become exacerbated post-pandemic, with many local authorities facing significant challenges to recruit and retain staff with the sufficient experience and skill to fulfil the breadth of roles required. Ofsted describes this as "the biggest challenge the sector currently faces". In the year leading up to September 2021, 9% of all local authority children's social workers left local authority social work, an increase from 7% the previous year. The education sector are facing similar recruitment and retention challenges in both schools and early years settings. | Risk Completion Officer : Lisa Chittenden |
| Mitigated Current Score: High (20) | | Last Review Date : 19/06/2024 |
| Current Direction of Travel: — | | Identification Date: 30/03/2023 |
| Previous Direction of Travel: | | Previous Date of Change: |
| Mitigation status: | Mitigation: | |
| Action ongoing | ASYEs | |
| Action ongoing | Benchmarking activity | |
| Action ongoing | International social worker recruitment | |
| Action ongoing | Mapping | |
| No Status Set | Poor Management & Workforce Development | |
| Action ongoing | Recruitment | |
| Action ongoing | Review of the retention offer | |
| Action ongoing | Succession planning | |
| Latest Note: Recruitment and Retention: Between 2020 and 2022 we successfully reduced our vacancy rate to 10% and agency rate to below 10%. We had a permanent social worker workforce. In 2023 we had the same level of natural turnover, however we were not able to recruit permanent social workers to replace leavers. A challenge experienced across the South West region. At the same time, regionally, there is a shortage of experienced and quality agency staff who are going to the LA's paying the highest fees. In some instances up to £48 per hour. Torbay are leading the regional workforce Memorandum Of Understanding (MOU) to address these challenges and within the council, continue to deploy recruitment and retention strategies. We are writing a business case to consider an increase in Care to Community Workers (CCWs) in line with the Stable Homes Built On Love agenda to relieve Social Worker recruitment pressures and ensure children's needs are being met at the appropriate level. | | |

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| Risk Code: CP46 | Effective Housing delivery | Accountable Officer : Alan Denby |
| Unmitigated Score: High (20) | Description: That the Council fails to ensure delivery of an appropriate breadth and scale of housing to meet Torbay's needs. This means that there will be insufficient housing to meet the requirements of Torbay's communities for the overall number of properties, their size and affordability. There will also be impacts on the Community & Corporate plan should the risk be borne out. | Risk Completion Officer : David Edmondson |
| Mitigated Current Score: High (20) | | Last Review Date : 05/07/2024 |
| Current Direction of Travel: ▲ | | Identification Date: 21/06/2023 |
| Previous Direction of Travel: ▲ | | Previous Date of Change: 05/07/2024 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Confirmation of the Council's role in housing delivery. | |
| Action ongoing | Creation of a Housing Delivery Plan | |
| Action not due to start | Deliver Housing Delivery Plan | |
| Action needed | Delivery of the Housing strategy action plan | |
| No Status Set | Delivery of the Planning Service for the Future project | |
| Action ongoing | Delivery of the Town Centre regeneration programme | |
| Action ongoing | Development of relationship with Homes England | |
| Action ongoing | Development of the Strategic Housing Board | |
| Action ongoing | Prepare Housing Delivery Plan | |
| Action ongoing | Releasing Council land assets including greenfield allocated sites | |
| Action ongoing | Staff resources | |
| Latest Note: Housing delivery plan is being drafted for presentation to Council Leadership Group and Cabinet in line with previous decisions. This will include confirming the Council role and identifying the required staff resource. The role of the Strategic Housing Board is being reviewed by the Housing Delivery Manager. The town centre regeneration programme has, through the regeneration partner, tested the 4 major schemes the partner will support delivery of and there are expected to be firm project specifications developed over the next quarter. On agreement of the Housing Delivery Plan it is anticipated that the probability for this risk will be reduced. | | |

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| Risk Code: CP47 | Effective delivery of Economic Growth Strategy | Accountable Officer : Alan Denby |
| Unmitigated Score: High (20) | Description: The council has a responsibility to promote economic wellbeing within Torbay, this includes the facilitation and enabling of business survival and growth, employment opportunities for local people and an increase in the level of productivity. The Economic Growth Strategy outlines the councils' strategic plans to achieve these objectives and defines how delivery will help to tackle climate change and protect and enhance the natural environment of Torbay. | Risk Completion Officer : Lisa Tuck |
| Mitigated Current Score: High (16) | | Last Review Date : 25/06/2024 |
| Current Direction of Travel: — | | Identification Date: 22/06/2023 |
| Previous Direction of Travel: ▲ | | Previous Date of Change: 30/12/2023 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Budget & Prioritisation | |
| Action completed | Delivery plan monitoring/project and programme structure | |
| Action ongoing | Improve innovation and growth ecosystem in Torbay, with partners | |
| Action ongoing | Improve the business strategic voice | |
| Action ongoing | Relationship with DLUHC and Government | |
| Action needed | Secure medium term supply of employment land | |
| Latest Note: The risk relating to budget has increased, the budget for 2024/25 has not yet been confirmed. Current activity is largely funded by the UK Shared Prosperity Fund (UKSPF) and a change in Government might lead to a lag in funding and programme. Outcomes of the Local Plan review will provide clarity on employment land availability to be marketed. The inward investment website requires updating as a marketing tool. The risk relating to developing the Local Business Voice is being addressed through the Place Leadership Board and the Combined County Authority (CCA) Business Advisory Group. | | |

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| Risk Code: CP52 | Failure to effectively maintain the council's assets & estate | Accountable Officer : Alan Denby |
| Unmitigated Score: High (16) | Description: Description: The Council when considering any reduction to funding for repair and maintenance of its estate across all groups of assets, manages this through the Council's asset management policy which seeks to maintain and manage assets in line with corporate priorities, Legal and Insurance Policy obligations and relevant property and health and safety legislation. With an estate that covers hundreds of land and building assets supporting front line services and indirect service provision, it is an estate that requires planned and reactive works to be prioritised which the Council delivers through a corporate landlord model. | Risk Completion Officer : Liam Montgomery |
| Mitigated Current Score: High (16) | | Last Review Date : 25/06/2024 |
| Current Direction of Travel: ▼ | | Identification Date: 24/08/2023 |
| Previous Direction of Travel: ▼ | | Previous Date of Change: 25/06/2024 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Active management of the Council estate | |
| Action ongoing | Ensure condition surveys are planned, reviewed and carried out | |
| Action ongoing | Ensure effective data systems and management information is in place | |
| Action ongoing | Ensure that required surveys i.e. fire risk assessments are being carried out as scheduled. | |
| Action ongoing | Ensure that there is effective corporate control of the estate | |
| Action ongoing | Review Asset Management Strategy | |
| Action completed | Review of allocated corporate budget | |
| Latest Note: No change from previous notes. Capital Investment Group has been created where condition surveys on Council assets are being reviewed systematically against set criteria with a view to prioritising works against priority assets. This will enable an informed and strategic approach to be taken in requesting funds from the capital programme budget. Furthermore, the Asset Management Strategy is being reviewed at Director level against the Corporate and Community Plan to ensure they align. The outcome will be presented to Directors in July, as requested. | | |

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| Risk Code: CP56 | Failure to meet Care Act 2014 section five (one) | Accountable Officer : Jo Williams |
| Unmitigated Score: High (20) | Description: Failure to meet the Care Act 2014 duty on the council to facilitate a diverse sustainable high-quality health and social care market for the local population. The Care Act 2014 places a duty on the Council to "facilitate a diverse, sustainable high-quality market for their whole local population and to promote efficient and effective operation of the adult care and support market as a whole. They must also ensure continuity of care in the event of provider failure". The Council and its NHS partners are wholly reliant on an external 'for profit' provider market in Torbay, utilising an aging estate of largely C19th buildings. These services are not designed to meet increasingly complex care needs related to physical frailty and mental ill health in an aging population, resulting in poorer outcomes and increased service costs. Failure to develop effective modern services in order to meet growing demand related to demographic growth, is likely present a significant risk to the Council's ability to meet its legal duties. | Risk Completion Officer : Adam Russell |
| Mitigated Current Score: High (16) | | Last Review Date : 20/06/2024 |
| Current Direction of Travel: — | | Identification Date: 24/08/2023 |
| Previous Direction of Travel: ▼ | | Previous Date of Change: 11/03/2024 |
| Mitigation status: | Mitigation: | |
| Action ongoing | Closer working with TC housing developers | |
| Action ongoing | Ensure we have capacity in ASC to maintain market oversight | |
| Action ongoing | Replace ASC Case Recording System | |
| Action ongoing | Resolve operational challenges in operational contractual arrangements – ICO | |
| Action ongoing | Working with ICB very complex commissioning challenges | |
| Latest Note: All mitigation activities are ongoing and the level of risk and likely impact remain unchanged at this time. | | |

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| Risk Code: CP63 | Potential loss of data through cyber breach (Adult Social Care) | Accountable Officer : Jo Williams |
| Unmitigated Score: High (16) | Description: On 30/03/2024 our community equipment service provider (NRS Healthcare) experienced a cyber security incident. As a precaution all their IT and telephone systems were immediately taken offline and their business continuity plan was implemented, including appointing external specialists to help them understand the extent of the issue. They complied with their regulatory obligations including notifying the Information Commissioner's Office (ICO), police, NHS England, etc. They are working to restore all their services and progress is being reported regularly to commissioners and their prescribers, and updates made via their website and social media channels. However, a return to normal service delivery is not anticipated soon and manual workarounds are continuing to be used, whilst IT systems are rigorously tested before being stepped back up. This is obviously having an impact on day-to-day service delivery, and the impact of this is being continuously monitored. | Risk Completion Officer : Chris Lethbridge |
| Mitigated Current Score: High (16) | | Last Review Date : 09/07/2024 |
| Current Direction of Travel: — | | Identification Date: 24/05/2024 |
| Previous Direction of Travel: | | Previous Date of Change: |
| Mitigation status: | Mitigation: | |
| Action not due to start | Business Continuity action plan | |
| Action completed | Commissioner meetings | |
| Action completed | Escalate this risk from service (operational) to the corporate register | |
| Action ongoing | Inform key stakeholders at the council, Trust & NHS Devon of the Cyber Incident & possible data loss | |
| Action ongoing | Regular newsletter updates to NHS Prescribers. | |
| Latest Note: | | |
| The extent of the cyber security attack on NRS Healthcare over the Easter weekend and its impact is still being investigated nationally, with involvement from the police and Information Commissioners Office. | | |
| Torbay Council and local NHS colleagues are working closely with NRS Healthcare to establish if personal data relating to people living in Torbay was accessed as part of this attack. As at early July, we are not aware of any local loss of personal data and impact for people in Torbay – however, we are tracking the situation on a daily basis. Our Data Protection Officer (DPO) attends fortnightly national meetings with NRS, to be kept informed of the ongoing investigation. | | |
| If circumstances change and we need to contact both service users and prescribers, we will work in partnership with colleagues in the council, NHS and NRS to develop appropriate communications and support. | | |

Meeting: Audit Committee

Date: 24th July 2024

Wards Affected: None

Report Title: Risk Assurance Report For Our Integrated Adult Social Care Services

Is the decision a key decision? No

When does the decision need to be implemented? N/A

Cabinet Member Contact Details: Councillor Tranter, Cabinet Member for Adult and Community Services, Public Health and Inequalities, Hayley.tranter@torbay.gov.uk
Councillor J Thomas, Cabinet Member for Tourism, Culture and Events and Corporate Services, jacqueline.thomas@torbay.gov.uk

Director Contact Details: Joanna Williams, Director Of Adult Services,
joanna.williams@torbay.gov.uk

1. Introduction

- 1.1 During 2022/23 Audit Committee approved the inclusion of Appendix A - Risk Governance Process For Our Integrated Adult Social Care Service within the Council's Risk Management Framework.
- 1.2 The process was put in place as the statutory responsibility for Adult Social Care Services (ASC) sits with the Council, however, the Council has had an agreement in place since 2005 with Torbay and South Devon NHS Foundation Trust (TSDFT) to deliver the operational services on the Council's behalf.
- 1.3 As these services represent a significant spend for the Council (approximately 41% of the Council's overall net budget for 2024/25), our risk processes state that the Director of Adult Services will bring to Audit Committee an annual assurance report.
- 1.4 As set out in Appendix A, audits conducted on the Council's governance services for ASC are carried out by Devon Audit Partnership. Audits conducted on Torbay and South Devon NHS Foundation Trust's operational ASC services are carried out by ASW Assurance.
- 1.5 This report provides a summary of both auditors' views and audit plans for 2024/25.

2. ASW Assurance Statement

- 2.1 Attached as Appendix B is a letter from ASW providing details relating to their assurance work that was carried out at the Trust during 2023/24. The statement

consists of two elements; Internal Audit Assurance and Counter Fraud Service Assurance. The Head of Internal Audit's opinion, as presented to TSDFT at its Audit and Risk Committee held on 25th June 2024, provided an overall '**Satisfactory**' opinion. This was based on the audit work conducted during 2023/24. There were two specific audits carried out in relation to the Adult Social Care Services. These are below:

- Local Government Association Review
- Financial Assessments & Benefits Team

3. Devon Audit Partnership (DAP)

3.1 It was originally agreed during 2023/24 that Devon Audit Partnership would carry out an inspection of the:

- Integrated Care Organisation (ICO) Sustainability and Improvement Plan (Management and Monitoring)

However, during the year, it was agreed this would be postponed due to the fact that both organisations agreed to engage a delivery partner to produce a new transformation plan based on revised priorities. As such, the original Sustainability and Improvement Plan was no longer in use, therefore, the audit did not take place.

4. Future Audit Plans

4.1 The Torbay Council Internal Audit Plan was approved by Audit Committee on 27th March 2024. In respect of ASC the plan included the following pieces of work which will be completed by DAP during 2024/25:

- ASC Transformation Plan
- ASC Use of social care grants

4.2 On 4th April 2024 a meeting took place with the Director of Adult Services and ASW Assurance to agree the audit work for 2024/25 in relation to the ASC's operational services. The following pieces of work will be completed by ASW during 2024/25:

- Deprivation of Liberty Safeguards (DOLS)
- Discharge follow up. (The arrangements in place to ensure the service users when transferred to a temporary placement are moved from that temporary placement as soon as they are able to do so).

5. Risk Governance Process For Our Integrated Adult Social Care Service

5.1 With the introduction of the Section 75 Executive Committee meeting, the Director of Adult Services has requested that this report is also presented there. Members are requested to note that Appendix A - Risk Governance Process For Our Integrated Adult Social Care Service has been updated to reflect this.

6. Recommendation(s) / Proposed Decision

- (i) That Audit Committee note the report.

Appendices

Appendix A: Risk Governance Process For Our Integrated Adult Social Care Service

Appendix B: ASW Assurance's Annual Assurance Statement

Background Documents

| Report clearance: | This report has been reviewed and approved by: | Date: |
|--------------------------------|---|--------------|
| Chief Executive | Anne-Marie Bond | N/A |
| Monitoring Officer | Amanda Barlow | 01/07/2024 |
| Director Of Finance Officer | Malcolm Coe | 28/06/2024 |
| Director Of Corporate Services | Matthew Fairclough-Kay | 01/07/2024 |

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Risk Governance Process For Our Integrated Adult Social Care Service

This document is an appendix to the council's risk management framework. It sets out the processes that provide the risk assurance of our Adult Social Care services in Torbay.

Introduction

Torbay Council holds the statutory duty to ensure that Adult Social Care is in place in Torbay. This consists of duties under The Care Act 2014, The Mental Capacity Act 2005 and the Mental Health Act 1983/2007. The Director of Adult Social Services (DASS) holds the statutory duty for Adult Social Care (ASC) in Torbay.

A Section 75 agreement is in place with Torbay and South Devon NHS Foundation Trust (TSDFT) who deliver operational services in relation to the Care Act 2014, the Mental Health Act 1983/2007, and the Mental Capacity Act 2005.

Practically, this means the delivery of Social Work Services, operational delivery of Safeguarding Adult Services, operational commissioning, and contract management of the social care market are delivered by TSDFT. Torbay Council retains responsibility for oversight of the Adult Social Care market and the wider delivery of wellbeing, information, and advice.

This arrangement was originally founded in 2005 and was refreshed in 2012 when Torbay and Southern Devon Health and Care Trust was established and novated to Torbay and South Devon NHS Foundation Trust on the 1st October 2015.

Nationally, Adult Social Care services are facing big challenges due to increasing demand, complexity of need and availability of resources. For Torbay Council, the Adult Social Care spend represents approximately 38% of the council's overall budget, therefore it is a significant spend and the risks must be carefully managed.

Risk Assurance

Both organisations follow their own risk management frameworks. Risks for Adult Social Care are included in both. The risk management framework in operation within each organisation is audited by each organisation's auditors: Torbay Council's auditors are Devon Audit Partnership (DAP) and Torbay & South Devon NHS Foundation Trust's auditors are ASW Assurance.

As the Council's DASS holds the overall responsibility for Adult Social Care in Torbay, this post works in partnership with both DAP and ASW Assurance to ensure identified control systems and processes are reviewed providing assurance that risk is appropriately managed.



Torbay Council

The council's Section 151 Officer holds the statutory responsibility for ensuring there are effective arrangements in place to manage the organisation's risks. The council's DASS takes responsibility for identifying, managing, and updating the Adult Social Care risks as per the council's risk management framework.

Each year, the DASS will be consulted by the Section 151 Officer to identify the areas that need to be included within the council's annual audit plan. This audit plan is delivered by the Devon Audit Partnership. The council's Audit Committee have oversight of the entire audit plan for the council and DAP's annual report. After each audit the DASS is supplied a draft report of DAP's findings and recommendations. The report is finalised once the DASS has provided a response to the recommendations. Should the need arise, the DASS can make a request to the Section 151 Officer for additional audits.

Torbay and South Devon NHS Foundation Trust

The Board of Torbay and South Devon NHS Foundation Trust (TSDFT) is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. This governance framework includes the committee structure, the structure and use of the Board Assurance Framework, and risk assessment and management processes.

TSDFT's internal auditors, ASW Assurance, include within an overall annual audit plan Adult Social Care related operational audit reviews, identified and approved through discussion with the DASS. The annual audit plan is agreed through the Risk Group prior to consideration and approval by the Audit and Risk Committee.

Section 75 Strategic Agreement

To formalise the above, the Section 75 Strategic Agreement between Torbay Council and Torbay and South Devon NHS Foundation Trust states that the Trust will:

- ✓ Along with the council put forward areas of Adult Social Care audit priorities;
- ✓ Consult with the Director of Adults Social Services (DASS) of Torbay Council on proposed internal audit coverage;
- ✓ Provide to the DASS copies of assignment reports that relate to control arrangements for Adult Services;
- ✓ Provide an annual statement to the DASS on the adequacy and effectiveness of the overall system of internal control for the Trust, and in particular, those areas directly affecting Adult Services.

Devon Audit Partnership & ASW Assurance

In addition to the processes laid out in the Strategic Agreement. The auditors for both organisations have agreed to:

Joint Planning:

- Meet in January each year to consider how ASC is included in their audit plans for the forthcoming year. The auditors will meet again in June/July to discuss their assurance reports.
- Share between each other their proposed audit plans to inform the overall picture of ASC assurance sources.
- Discuss and consider both organisation's risks in relation to ASC to inform planning discussions (annual and in year) with the DASS.

ASW Assurance:

- At the start of each audit year ASW Assurance will set out the expected assurance reviews that will be required to be shared, upon completion, with the council's DASS, Section 151 Officer and DAP.
- ASW Assurance and TSDFT to agree a process for early/urgent identification and consideration of audit control concerns to the DASS.
- ASW Assurance and TSDFT to agree the format of the Annual Assurance Statement that is provided to the council's DASS, Section 151 Officer and DAP.
- ASW Assurance's Annual Assurance Statement to be agreed by TSDFT Deputy Chief Executive and Chief Finance Officer prior to sharing with the Council's DASS, Section 151 Officer and DAP.

Governance

All council risks associated with Adult Social Care will be managed in accordance with the council's risk policy and framework. The council's strategic, corporate and service risks are held, managed and reviewed using the council's risk management software SPAR.net. The council's strategic and corporate risk registers are reported to and reviewed by the Directors at their Directors Overview Meeting, Members of Cabinet and Audit Committee at least three times per year.

The TSDFT risks associated with Adult Social Care are managed in accordance with their risk management framework and policy. TSDFT's strategic, corporate and service risks to objectives are held, managed and reviewed using the Trust's risk management software Datix. Risks identified to the delivery of the Adult Social Care Services are reported to the Adult Social Care Operational Oversight Group and when necessary escalated to the specific Integrated Governance Group meeting for: Families Community and Place Based Care and potentially to the Trust's Risk Group.

When TSDFT mitigated risks score 16 or above, the council's DASS will be made aware. These risks, the controls they have in place and officer reviews/updates will be shared with the DASS until the mitigated risk score reduces down again below 16.

On receipt of ASW Assurance's Annual Assurance Statement, which provides an overall opinion on the Adult Social Care services provided by the Trust, the council's DASS will review the findings with the Section 151 Officer.

The DASS in conjunction with the council's Section 151 Officer will prepare a report for Audit Committee and when considered necessary also the Adult Social Care and Health Overview and Scrutiny Sub-Board. This report will include:

- Any notable outcomes or concerns that DAP or ASW Assurance have identified as part of their audit reports.
- Any responses made by the DASS in relation to audit report recommendations.
- The DASS's overarching opinion on any risks or assurances that need to be shared with the committees.
- The audit plan for the current year and thoughts on future audits required.
- ASW Assurance's latest Annual Assurance Statement.

This report will also be presented to the Section 75 Executive Committee for oversight and assurance.

Appendix A – Risk Framework
Version 3 - July 2024

Torbay and South Devon NHS Foundation Trust

Statement of Assurance for 2023/24



Introduction

The following statement of assurance is provided by the Director of Audit and Assurance Services at ASW Assurance; the provider of Internal Audit, Counter Fraud and Consultancy services to Torbay and South Devon NHS Foundation Trust; in relation to services provided to the Trust for 2023/24.

This assurance statement consists of the following elements:

- Internal Audit Assurance Statement.
- Counter Fraud Service Assurance Statement.

Internal Audit Assurance Statement

In conformance with the ASW Assurance Internal Audit Charter, Public Sector Internal Audit Standards and the Core Principles for the Professional Practice of Internal Auditing, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed on the overall adequacy and effectiveness of an organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). ASW Assurance is externally assessed as compliant with Public Sector Internal Audit Standards.

The Opinion provided to Torbay and South Devon NHS Foundation Trust for 2023/24 was substantially derived from the risk-based plan generated from the Trust-led Assurance Framework that took into consideration the strategies, objectives and risks of the organisation, the expectations of senior management, the Trust Board and other stakeholders, agreed by management and approved by the Audit and Risk Committee.

The basis for forming the opinion takes into consideration the context and oversight of the Trust as set out above, and the following:

1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes.
2. An assessment of individual opinions arising from risk-based audit assignments from the Audit and Assurance Plan that have been reported during the period 1 April 2023 and 31 March 2024. This assessment takes account of the relative scope and materiality of the areas reviewed and management's progress in respect of addressing control weaknesses.
3. Any reliance placed upon third party assurances are provided as part of this opinion.

My overall opinion is that:

Satisfactory assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and controls are generally being applied consistently. Weaknesses in the design and/or inconsistent application of controls in some key areas put the achievement of particular objectives at risk.



The assurances provided from the work undertaken, which together support this opinion, are set out below.

| Corporate Governance | | Financial Governance | |
|---|--|------------------------------|------------------|
| Audit | Assurance Rating | Audit | Assurance Rating |
| Board Assurance Framework & Risk Management | Design: Significant Application: Satisfactory | Core Finance Systems | Limited |
| | | Cost Improvement Programme | Satisfactory |
| | | Payroll | Satisfactory |
| | | Use of Single Tender Waivers | Satisfactory |

| Corporate Assurance | |
|---|------------------|
| Audit | Assurance Rating |
| Governance of Planned Maintenance and Backlog Works | Satisfactory |
| Freedom to Speak Up and Whistleblowing (Limited by scope) | Significant |
| Care Quality Commission – Governance | Satisfactory |
| Clinical Quality: Patient Safety and Incident Response Framework | Satisfactory |
| Adult Social Care: Progress of Actions from the Local Government Association Review | Satisfactory |
| Adult Social Care: Financial Assessment and Benefits Team | Satisfactory |
| Maternity Governance | Satisfactory |
| Cyber Security | Significant |
| Information Governance (Data Security and Protection Toolkit) | Substantial |
| Job Evaluation | Satisfactory |
| Management of Controlled Drugs | Satisfactory |
| Electronic Patient Record (EPR) Programme Governance | Satisfactory |

Throughout the year, we proactively provided critique on the development and subsequent transition to the revised governance and risk reporting, escalation, and oversight arrangements, led by the Director of Corporate Governance and Trust Secretary. All feedback provided as part of this process was received



positively, with the Trust actively seeking the dissemination of good practice observed elsewhere. This, coupled with my observations of Board, Executive and Operational Management discussions, provides a reasonable level of assurance that the fundamental redesign of the Trusts governance and reporting processes was conducted in a robust and transparent manner, and whilst these new arrangements will require time to fully embed, the structured approach taken by the Trust provides a positive and stable footing, on which to build future service improvements.

The Trust took the opportunity through the Audit and Assurance Plan for 2023/2024 to focus a proportion of resource on areas where Internal Audit could add the most value, in its drive to provide the best services to its patients. The Trust has responded positively to a wide range of audit findings and continues to take action to mitigate any risks identified.

In support of the Head of Internal Audit Opinion work we reviewed the Trust's self-assessed position of its compliance with the requirements of the Data Security and Protection Toolkit (DSPT) using NHS Digital's Auditing guidance.

Internal Audit Recommendations

In respect of the audits undertaken during the year, recommendations were agreed with management to address gaps in control and assurance. We monitored the status of these recommendations throughout the year, reporting directly to the Risk Group and the Audit and Risk Committee on recommendations which remained outstanding.

No significant matters were reported to the Audit and Risk Committee in the year, in respect of the follow-up of recommendations.

Third Party Assurance

The following Third Party assurance report was included within the Head of Internal Audit Opinion:

ISAE 3000 Third Party Assurance Report in respect of NHS Business Service Authority – Electronic Staff Record (ESR) System

The 2023/2024 Independent Service Auditor's report provided by Grant Thornton, dated 23 April 2024, examines NHS Business Services Authority's (NHSBSA) and IBM United Kingdom Limited's description, design and operation of controls supporting the provision and maintenance of the Electronic Staff Record (ESR System).

In all material respects, the key messages in the Independent Service Auditor's section of the report are as follows:

- The accompanying description in the report **fairly presents** NHSBSA's provision and maintenance of ESR, as well as services made available by IBM to NHSBSA as designed and implemented for the period 1 April 2023 to 31 March 2024.



- The controls related to the control objectives stated in the description were **suitably designed to provide reasonable assurance that the control objectives would be achieved** if the controls operated effectively throughout the period 1 April 2023 to 31 March 2024 and the subservice organisations and the user entities applied complementary controls.
- The controls **operated effectively** to provide reasonable assurance that the control objectives were achieved for the period 1 April 2023 to 31 March 2024.

Counter Fraud Assurance Statement

The NHS Counter Fraud Authority (NHSCFA) requires the Trust to have sound counter fraud arrangements in place that meet NHSCFA standards.

The Counter Fraud function of Torbay and South Devon NHS Foundation Trust is overseen by the Chief Finance Officer and the NHSCFA. An annual work plan was prepared and approved by the Audit and Risk Committee and delivery was reported to the Audit and Risk Committee at each of its meetings. As part of the Strategic Governance of the Counter fraud function, the Audit and Risk Committee are able to question all submissions made by the LCFS and challenge the progress of investigations or any element of their work plan to ensure delivery. Resourcing for delivery of the work plan is agreed through the organisation's Audit and Risk Committee.

The annual Counter Fraud work plan covered the 13 components of the Government Functional Standard 013: Counter Fraud:

- ✔ Accountable Individual (Parts 1A and 1B)
- ✔ Counter Fraud Bribery and Corruption Strategy
- ✔ Fraud bribery and corruption risk assessment
- ✔ Policy and response plan
- ✔ Annual Action Plan
- ✔ Outcome-based metrics
- ✔ Reporting routes for staff, contractors and members of the public
- ✔ Report identified loss
- ✔ Access to trained investigators
- ✔ Undertake detection activity
- ✔ Access to and completion of training
- ✔ Policies and registers of gifts and hospitality and Conflicts of Interest

A risk assessment in compliance with Government Counter Fraud Profession Risk Assessment Methodology (GCFP) is in place. This is a live document, reviewed on a regular basis. During the year, additional staff were sourced to assist with the delivery of planned work.



The Trust's counter fraud arrangements are assessed annually through the submission of an annual report covering the Government Counter Fraud Functional Standard and the Government Counter Fraud Functional Standard Return (CFFSR). This was approved by both the Chief Finance Officer and the Chair of the Audit and Risk Committee before submission to the NHSCFA. The Trust scored an overall 'Green' rating in the CFFSR.

During the year, we opened three new investigations, following receipt of an allegation of fraud. Some of these investigations have been carried over into 2024/25. Referrals fell into the following areas:

- Simultaneous working
- Abuse of sick leave
- Employee declaration (relating to a secondment opportunity)

Two cases are ongoing. These relate to:

- Agency nurse allegedly falsifying timesheets
- Alleged false overtime claims.

In addition, we conducted four Local Proactive Exercises (LPEs).

- Bank mandate fraud
- Impersonation of medical professionals
- Procurement due diligence (commenced Feb 2024 and included in the 2024/25 Counter Fraud work plan)
- Procurement contract management (commenced Feb 2024 and included in the 2024/25 Counter Fraud work plan)

We also identified system weaknesses in respect of Personal Health Budget claims. A joint Proactive Exercise with Devon Council was commissioned, resulting in 11 recommendations being raised which look to further strengthen control arrangements within this area.

Amanda Lowe, Director of Audit and Assurance Services



Get in touch

www.aswassurance.co.uk



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ASW Assurance
Newcourt House
Newcourt Drive
Old Rydon Lane
Exeter, EX2 7JQ

Mr Malcolm Coe, Director of Finance and Section 151 Officer
Torbay Council
Town Hall
Castle Circus
Torquay, TQ1 3DS

Sent via email to malcolm.coe@torbay.gov.uk

28 June 2024

Our ref: AL280624

Dear Mr Coe,

Statement of Assurance for Internal Audit and Counter Fraud Services to Torbay and South Devon NHS Foundation Trust

Please find enclosed a statement of assurance for internal audit and counter fraud, provided by the Director of Audit and Assurance Services at ASW Assurance; the provider of internal audit, counter fraud and consultancy services to Torbay and South Devon NHS Foundation Trust; in relation to services provided to the Trust for 2023/24.

This assurance statement consists of the following elements:

- 📌 Internal Audit Assurance Statement, including:
 - Head of Internal Audit Annual opinion, including the audit and assurance work we completed in support of the Opinion for 2023/24.
 - Information on the Third-Party Assurance report in relation to IT General Controls in respect of the Electronic Staff Record (ESR).
 - Internal audit recommendations.
- 📌 Counter Fraud Service Assurance Statement, including information on:
 - The annual Counter Fraud work plan which covered the 13 components of the Government Functional Standard 013: Counter Fraud.
 - Confirmation that completed risk assessments are undertaken in compliance with Government Counter Fraud Profession Risk Assessment Methodology (GCFP).

Yours sincerely



Amanda Lowe
Director of Audit and Assurance Services

cc: Director of Adult and Community Services – Joanna.williams@torbay.gov.uk
Devon Audit Partnership, via email - tony.d.rose@devon.gov.uk

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Meeting: Audit Committee

Date: 24th July 2024

Wards affected: All Wards in Torbay

Report Title: Performance Update: Collection of Council Tax & Non-Domestic Rates

Cabinet Member Contact Details:

Councillor Alan Tyerman, Cabinet Member for Housing and Finance,
Alan.Tyerman@torbay.gov.uk

Director/Assistant Director Contact Details:

Malcolm Coe, Director of Finance Malcolm.coe@torbay.gov.uk and Paul Matravers, Head of Corporate Finance paul.matravers@torbay.gov.uk

1. Purpose of Update

- 1.1 At the meeting of the Audit Committee on 26 July 2023 concerns were raised regarding the collection of Council Tax, Non-Domestic Rates and corporate debt. In response the Director of Finance was asked to provide a report that set out the proposed mitigation, progress in implementing the required changes as a result of the Internal Audit and corresponding key performance indicators.
- 1.2 At the Audit Committee on 13 December 2023, the Director of Finance informed Members that following the implementation of a specific work project to clear the backlog of Council Tax processing, including commissioning external support, the current processing time for Council Tax was now in the region of 8 weeks, down from a peak of 26 weeks.
- 1.3 In addition, members requested a brief update at each meeting in order to continue monitoring progress.

2. Progress Update

- 2.1 An update will be provided at future meetings to keep committee members informed of the latest position on the following areas:
 - Council Tax Processing time
 - Council Tax and NNDR Collection Rates
 - Number of people in receipt of Council Tax Support
 - Total amount of Council Support paid

2.2 Section 3 provides details on the performance information detailed above. The initial update is seen as a starting point, and feedback on what has been provided and what additional performance measures would be beneficial to the committee in future performance reports is sought from members of the committee.

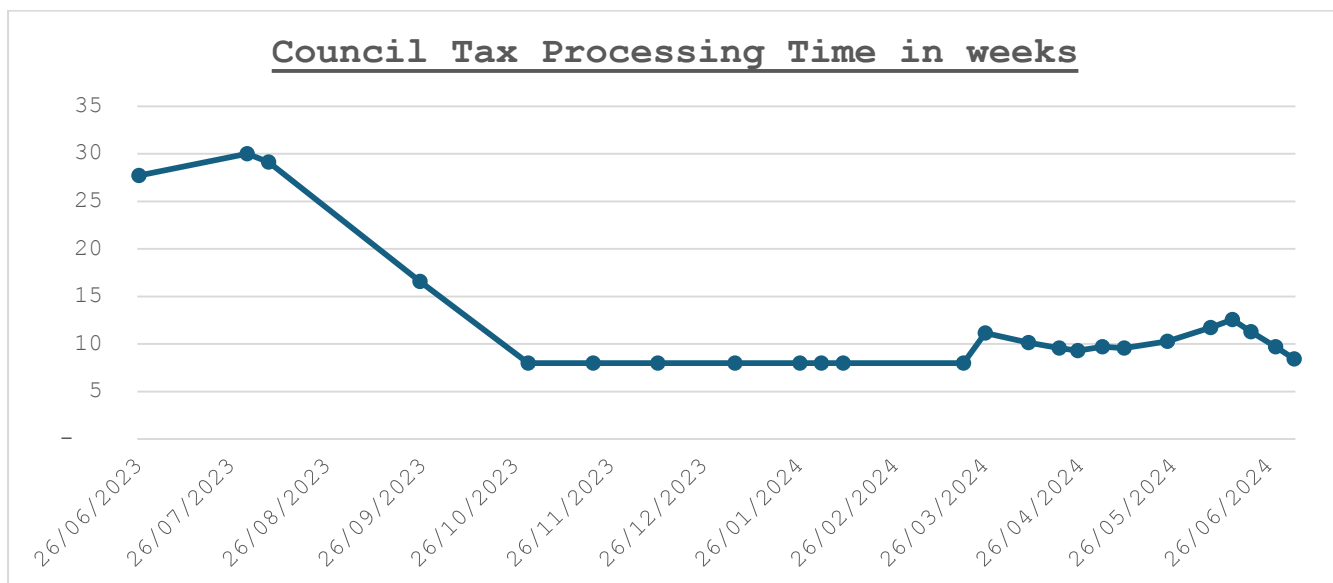
3. Performance Information

3.1 The latest information available in respect of the performance measures as detailed in 2.1 is provided below.

Council Tax Processing time

3.2 The graph below details the processing time for council tax from June 2023 to end of June 2024.

3.3 The graph shows that the processing time has reduced significantly from the peak of 30 weeks in July 2023 and had stabilised at 8 weeks from October 2023 to March 2024. At the end of March 2024, processing times increased to 12 weeks as expected due to the year-end billing process but have now been reduced once again to 8 weeks. The recovery of the processing times has been slightly longer than anticipated due to the additional work required for the implementation of the new Working Age Council Tax Reduction scheme (WACTR) and the preparation for the review of Single Person Discounts.

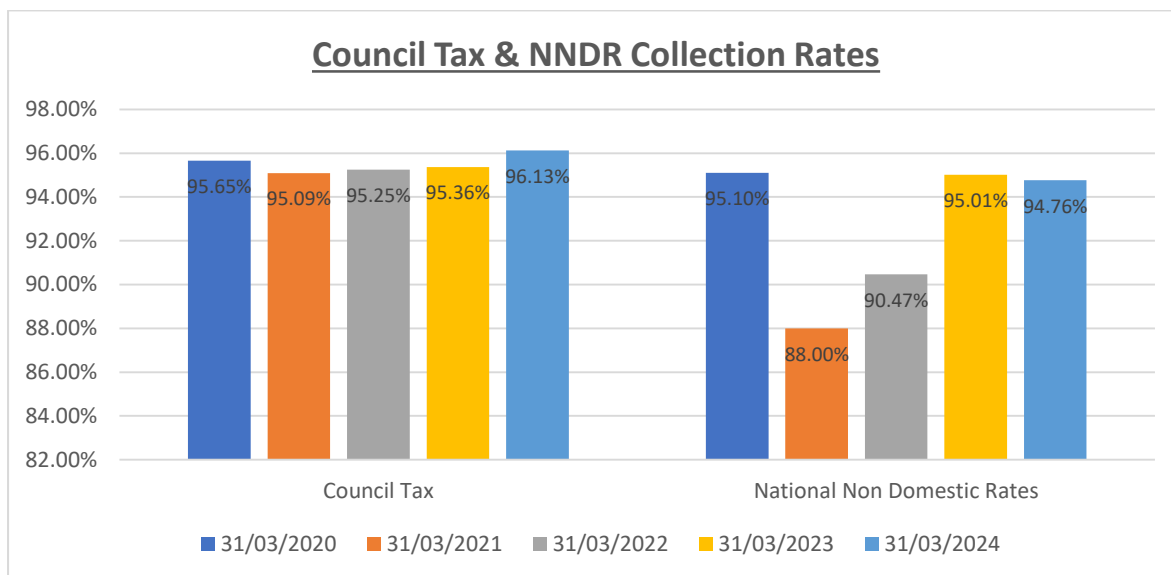


Council Tax and NNDR Collection Rates

3.4 The graph below shows the collections rate by year for council tax and NNDR. For 2023/24 the collection rate for council tax exceeded 96% for the first time since the pandemic.

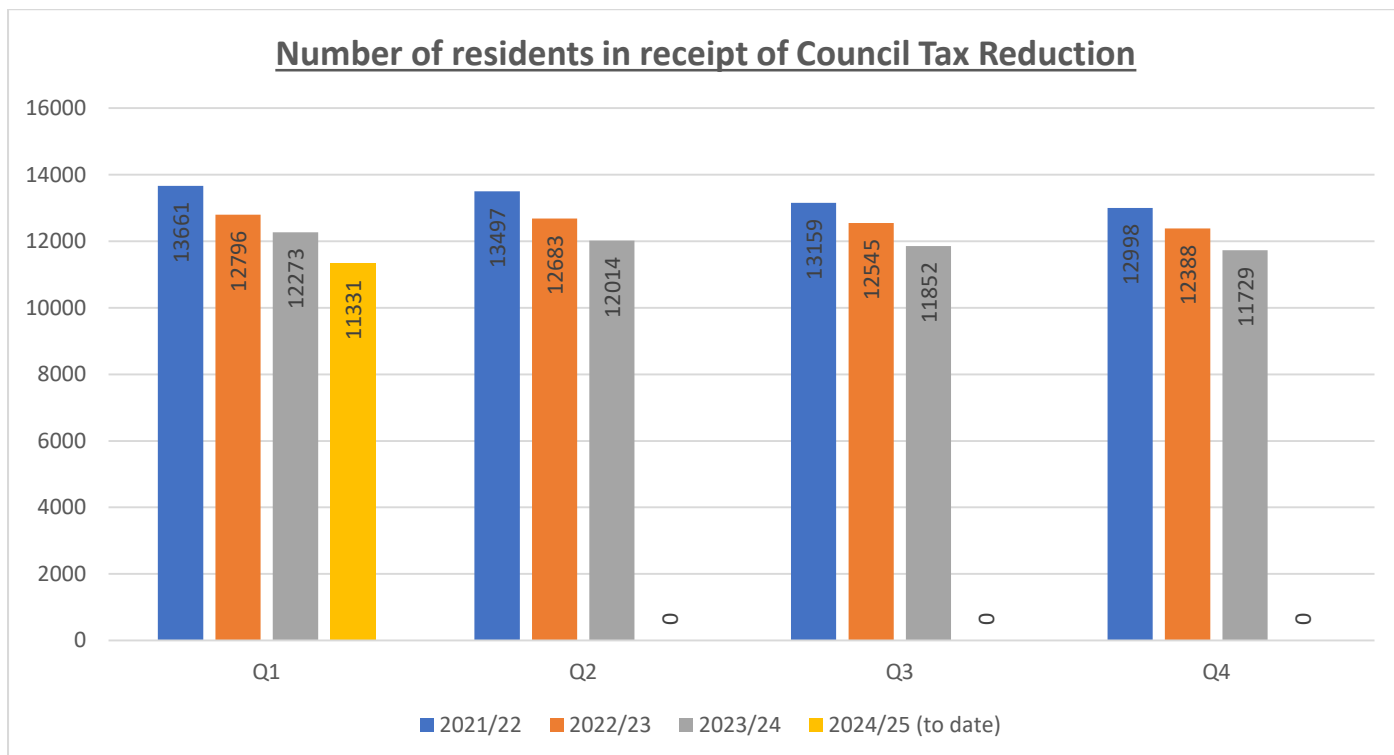
3.5 The rate of collection for NNDR is around 95%, but it dropped significantly in 2020/21 and 2021/22 due to COVID and the reliefs that we awarded as part of the government assistance. The cost of living crisis is continuing to have an impact on businesses and the collection rate achieved.

3.6 From the information that is available, the rate of collection for Council Tax across all years and all accounts for Q1 2024/25 is 23.18%, compared to 22.81% at the same point in 2023/24. At this stage of the year, we are forecasting an in-year collection rate of 96.1%. The Q1 collection rate for those in receipt of the Council's new WACTR scheme are broadly in line with overall collection rates at 22.76%. We will keep this under review at set points throughout the year.



Number of Residents in receipt of Council Tax Support

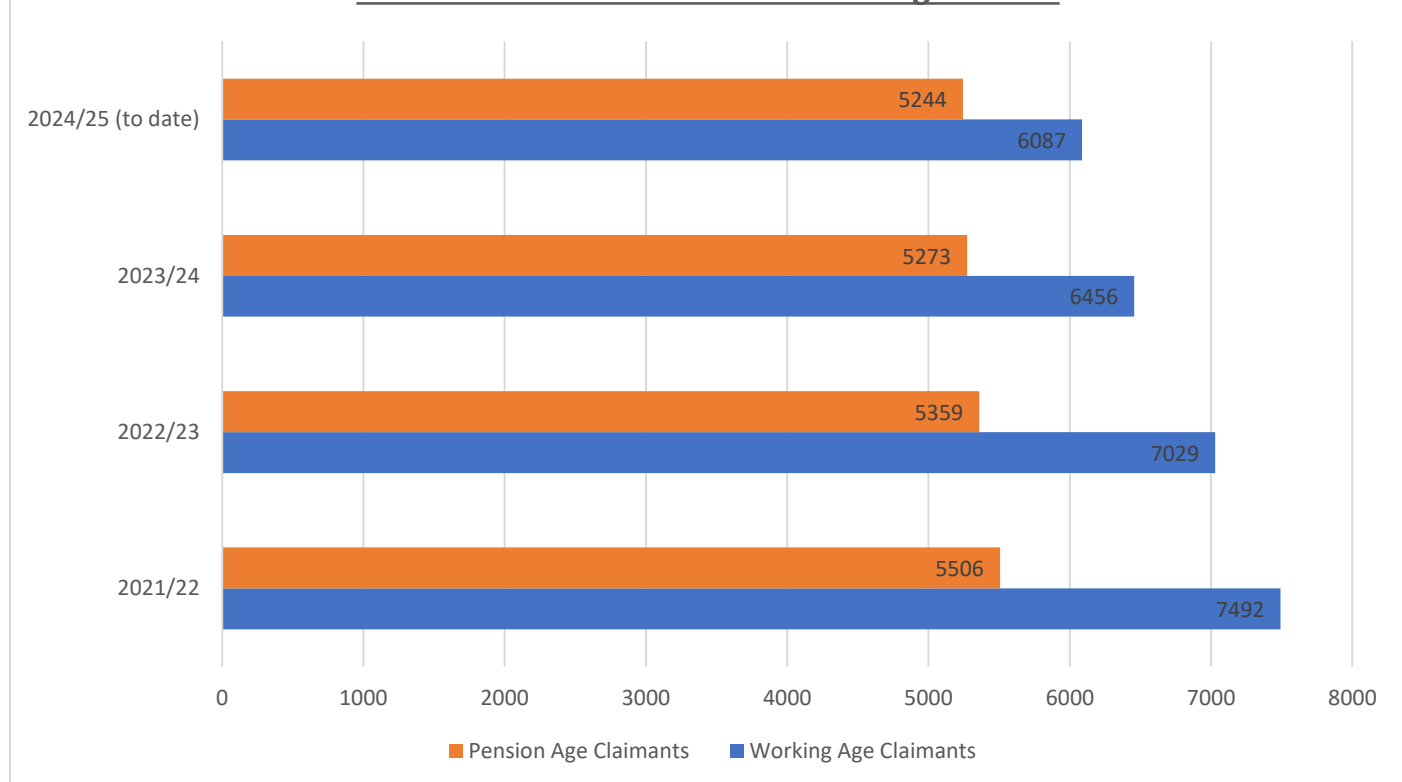
- 3.7 The number of residents who have received council tax support during the financial year is detailed below.
- 3.8 The number of residents in receipt of council tax support has reduced year on year. The 2024/25 figure for Q1 is the total number of claimants as at the end of Q1 and will change between now and year end.



Council Tax Support Claimants age profile

- 3.9 The age profile of claimants in receipt of council tax support is provided in the graph below. The percentage split between working age and pension age claimants has seen a minimal change in the four-year period.
- 3.10 Please note that the 2024/25 figure for Q1 is the total number of claimants as at the end of Q1 and will change between now and year end.

Council Tax Reduction claimants - Age Profile



Total Council Tax Support paid by year

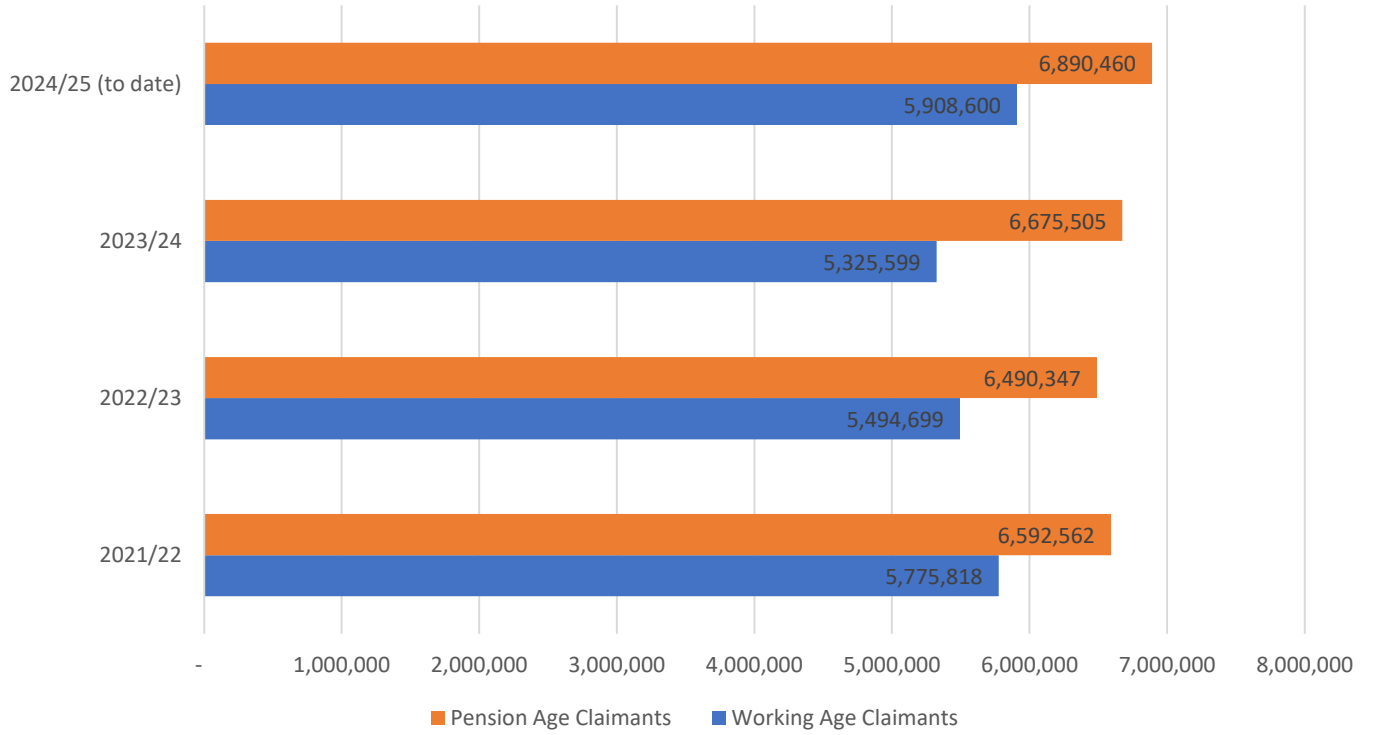
3.11 The total council tax support paid by year is detailed in the table below. The total paid by year are:

- 2021/22 = £12,368,380
- 2022/23 = £11,985,046
- 2023/24 = £12,001,103
- 2024/25 (To Date) = £12,799,060

The increase in cost for 2024/25 relates to:

- i) The 4.75% increase in Council Tax in 2024/25 (approximately £580k of the additional cost)
- ii) The introduction of the Working Age Council Tax Reduction banded scheme
- iii) The increase of the maximum award to working age claimants from 70% to 75%.
- iv) Partially offset by the slight reduction in claimant numbers

Council Tax Support Paid - Claimant Type



Meeting: [Audit Committee](#)

Date: [24 July 2024](#)

Wards affected: [All](#)

Report Title: [Counter Fraud and Error Update](#)

Director Contact Details: [Malcolm Coe, Director of Finance,](#)
malcolm.coe@torbay.gov.uk

1. Key points and Summary

- 1.1 This report updates the Audit Committee on counter fraud activity undertaken for the period of 1 April 2023 to 31 March 2024, including reported fraud and irregularities. The report is intended to support members in obtaining assurance the council has robust processes in place to prevent, detect and deter fraud and error.
- 1.2 The Corporate Counter Fraud and Error team deliver a service across the Council which aims to prevent, detect, and deter fraud, error and criminality related to fraud. The team investigate allegations of fraud, plan and take part in counter fraud campaigns (e.g. the National Fraud Initiative), test systems, undertake fraud awareness activities with staff and the public, maintain and update the counter fraud framework and related policies.
- 1.3 Though this activity, financial losses are prevented, additional revenue is identified for recovery, income is secured through the supply of services, and redress sought in cases of civil or criminal offending.

2. Introduction

- 2.1. Fraud is a significant risk to the public sector. The government estimated that between £33.2 and £58.8 billion of public spending was lost to fraud in 2020/21. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2.2. It is generally accepted there has been an upturn in fraudulent activity following the pandemic with the cost-of-living crisis extending the trend.
- 2.3. Torbay Council has received high profile funding for local projects such as but not limited to; a Towns Deal from Department of Levelling Up and Communities and Housing of £6,000,000, £250k from the National Lottery Heritage fund to support heritage projects, £337,000 from the Lawn Tennis Association for investment in lawn Tennis projects, £2,000,000 from Network rail towards Edginswell Station.
- 2.4. The media has reported the Ministry of Defence has suffered a significant data breach and the personal information of UK military personnel has been hacked.

- 2.5. The fraud team receive alerts to known frauds experienced by Local Authority across the UK. Often more than one Local Authority is the target of the same fraudsters, demonstrating fraudsters have no geographical or political boundaries.
- 2.6. Each indicate Torbay Council faces a risk of fraud. Hence Torbay recognises Fraud as a corporate risk.
- 2.7. The Counter Fraud and Corruption Policy sets out the expectations of Torbay Council and describes what is meant by fraud bribery and corruption and outlines the responsibilities of Councillors, Directors, Managers, and employees.
- 2.8. A strategy to supports the Counter Fraud and Corruption Policy.
- 2.9. The Counter Fraud Manager is also the Councils Money Laundering Reporting Officer.

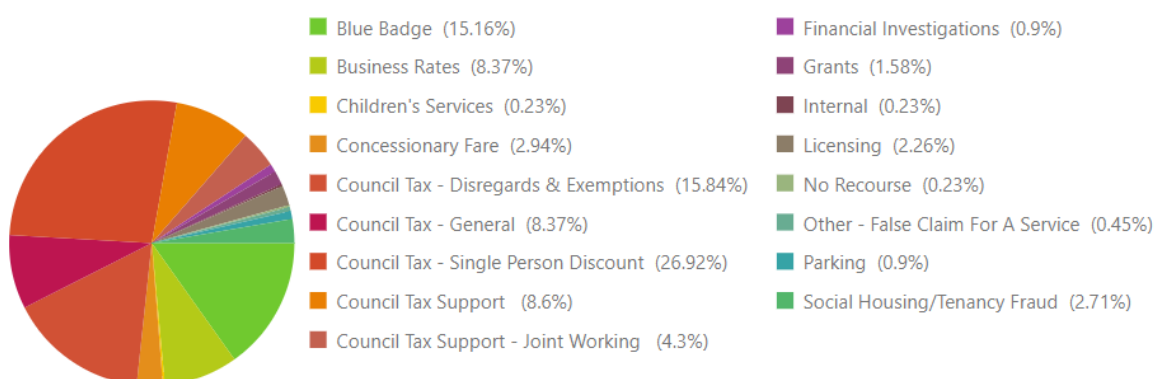
3. Fraud Prevention and Detection

- 3.1 The Counter Fraud Manager provides case by case prevention and intelligence support to teams across the council and partner agencies such as the Police.
- 3.2 During the covid-19 pandemic and the following energy crisis, the counter fraud team resource was repurposed to provide assurance and administration support to the issuing of the funding administered for Central Government, Fraud investigations were place on hold.
- 3.3 On conclusion of the above work, opportunity was taken to review the Case management system used by the team. A new system was procured which required the team to develop and implement over the summer months. During this period, investigations into reported fraud remained on hold.
- 3.4 Meanwhile the team continued to receive reports of fraud from member of staff and the general public.
- 3.5 When undertaking reviews the fraud support officers select cases of potential fraud for review by a fraud officer.
- 3.6 The Cabinet Office run a national anti-fraud campaign, The National Fraud Initiative (NFI). Participation is mandatory. It is a data matching exercise to assist in the detection area of fraud and error. During the reported year, the Council received 47 reports containing 11,411 matches each requiring review.
- 3.7 Reviews of several Council Tax discounts and exemptions, present in the council tax charge-base is underway. This identified cases where discounts or exemptions are present where a person, for whom the reduction is received, has passed away. A suggestion to match Council Tax discount and exemption records to Deceased data within the National Fraud Initiative was made to the Cabinet Office. We received their communications advising of their intention to run a pilot in this area with a view to national roll out. This will allow Councils to identify where a council tax discount or exemption has remained in place following a person's death. March 2024 saw the release of report 805, the pilot

report.

- 3.8 A report with progress and findings from the NFI exercise will be provided at a later stage.
- 3.9 The fraud team underwent training for use of the new case system and indexed the backlog of fraud referrals received as new case files.
- 3.10 The team conducts Work to support Torbay's Housing Strategy, with a focus on properties recorded as empty in the council tax charge base as this informs the wider across department empty property team. This work involves accuracy checks and seeks to identify if the property has become occupied without the landlord or occupier providing advice to the council tax team.
- 3.11 In October 2023 the Fraud Manager presented to the Senior Leadership Team the importance of conducting departmental Fraud Risk assessments. Work in this area is ongoing, linking in with service planning project.
- 3.12 The team's work is varied and covers a wide programme of reactive and pro-active investigations. The diagram below demonstrates the diverse nature of the 367 referrals received and the range of case types covered.

Count of Cases by Case Category



- 3.13 The mandatory Fraud awareness course has been revamped, the course having been relaunched at the April 24 managers forum.
- 3.14 The Council has a legal defence requirement. Part of this defence is to ensure its staff are aware of how to report fraud and are aware of the failure to prevent the facilitation of tax evasion which is included within the fraud i-learn module. This will provide everyone employed by Torbay Council with fraud awareness training and highlights everyone is required to play their part in fraud prevention and detection. It also provides learning of the Economic Crime and Corporate Transparency Act 2023. The corporate fraud team will monitor course completion progress.

4. Project Areas and Savings

- 4.1 Investigations** have taken place throughout the year to identify fraud and error and the benefits received are detailed below. It should be noted that the savings are actual and are not using the standard methodology adopted by other Local Authorities which covers several years. The figures shown for council tax are based on total liability, although the benefit is split between Torbay Council, Devon and Cornwall Police and Devon and Somerset Fire and Rescue Service.
- 4.2 Council Tax - Single Persons Discount continues** to be an area of high volume and thus high financial risk. A review of single person discounts is planned to work alongside the Council Tax Team. Work to identify a partner organisation to provide single persons discount review services will complete once this review is underway, with a view to prevent and detect fraud in this high transactional area.
- 4.3 Council Tax - Unregistered properties** an external provider, procured to undertake this work on a no win no fee basis, has identified properties which were otherwise unregistered for council tax purposes.
- 4.4 Council Tax – Unregistered properties** the Torbay Counter Fraud team identified properties which were otherwise unregistered for council tax purposes.
- 4.5 Council Tax - Unreported changes in property ownership/occupation** continues as an area of financial risk. The fraud team seek to identify unnotified changes.
- 4.6 Council Tax – Unreported changes in exemptions and disregards** the council tax scheme has 19 categories of exemptions and 13 categories of disregards. The team have reviewed 7 exemption categories and 3 disregards to identify unreported changes. Certain exemptions are awarded when a property become empty therefore, this work supports Torbay’s Housing Strategy.
- 4.7 Undervalued or Unrated Business premises** continues to be an area of financial risk. The counter fraud and business rates team seek to identify unrated or undervalued business premises. An external provider is also procured to support this work on a no win no fee basis.
- 4.8 Un-notified change of business owner** continues to be an area of financial risk, the pandemic highlighted business owners had not come forward to register for business rates. The Council saw a surge in business owners coming forward. The risk remains present, and the team discovers changes because of other work.
- 4.9 Housing – empty homes –** In partnership with members of Housing Standards, Planning Enforcement, Environmental Health, Council Tax and Council Tax recovery team, we aim to reduce the number of empty properties in Torbay. This work supports Torbay Councils Housing Strategy.

The fraud team commences the process by reviewing properties registered as empty (not second homes) in the council tax database to ensure accuracy before involving the wider teams involvement.

All properties registered as empty more than 5 years have been reviewed. This

identified occupied properties, ownership changes and properties deemed appropriate to approach the Valuation Office Agency (VOA) to remove from the council tax charge base. It should be noted, these properties attract a council tax levy which, in each case, had not been paid, resulting in unnecessary recovery work.

5. Money Laundering Unusually during the reporting period, the council has not made any reports of money laundering to the National Crime Agency.

6. Investigations The team consists of 2.8 full time equivalent member of staff, 1 Manger & Counter Fraud Specialist and 1.8 Counter Fraud Technicians/support officers.

| Financial year | Cases awaiting review | Number of completed investigations | Cases under investigation |
|----------------|-----------------------|------------------------------------|---------------------------|
| 2022/2023 | 56 | 29 | 56 |
| 2023/2024 | 156 | 102 | 38 |
| 2024/2025 | 10 | 6 | 10 |
| Total | 222 | 137 | 104 |

7. Partnership Working the team conducts investigations in partnership with DWP where appropriate. Sending invitations to the DWP and receiving invitations from the DWP

| | under investigation | Compliance Interviews Undertaken | Compliance resulting in cashable savings | Cases prosecuted |
|---------|---------------------|----------------------------------|--|------------------|
| 2023/24 | 4 | 1 | 0 | 0 |

The team provides information to the DWP to support its own investigations into Housing Benefit and Universal Credit related frauds.

| | Requests received | Requests completed |
|---------|-------------------|--------------------|
| 2023/24 | 43 | 43 |

8. Devon Audit Partnership (DAP) being utilised to assist with investigations and redress once cases have undergone substantive checks.

| | With DAP Awaiting/under investigation | Compliance Interviews Undertaken | Compliance resulting in cashable savings | Cases prosecuted |
|---------|---------------------------------------|----------------------------------|--|------------------|
| 2023/24 | 21 | 5 | 4 | 0 |
| 2024/25 | 0 | 0 | 0 | 0 |

9. Cashable Savings Identified

| Scheme | Number of cases reviewed | Number of removals/amendments | Cashable Value of amended liability |
|---|---------------------------------|--------------------------------------|--|
| Single Person Discount (NFI) | 2712 | 522 | £427,728 |
| Exemptions and Disregards | 831 | 72 | £ 99,896 |
| Unregistered properties (external provider) | 9 | 9 | £ 20,600 |
| Unregistered properties | 3 | 3 | £ 4,756 |
| Ownership/Occupation | 11 | 8 | £ 31,001 |
| Business Rates (external provider) | 18 | 9 | £ 26,833 |
| Business Rates | 4 | 4 | £ 78,934 |

| Scheme | Number of cases reviewed | Number identified as occupied | Number of VOA reports | number of ownership changes | Cashable value identified |
|---------------|---------------------------------|--------------------------------------|------------------------------|------------------------------------|----------------------------------|
| Empty Homes | 126 | 25 | 15 | 4 | £23,358 |

Rachel Worsley
Counter Fraud and Error Manager

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Meeting: [Counter Fraud Plan](#) **Date:** [24 July 2024](#)

Wards affected: [All](#)

Report Title: [Audit Committee](#)

Director Contact Details: [Malcolm Coe, Director of Finance,](#)
Malcolm.coe@torbay.gov.uk

1. Key points and Summary

- 1.1 This report provides the Audit Committee with details of current and future Counter Fraud plans supporting delivery of the Counter Fraud and Corruption Policy.
- 1.2 The Corporate Counter Fraud and Error team deliver a service across the Council which aims to prevent, detect, and deter fraud, error and criminality related to fraud. The Counter Fraud plan provides a framework for the prevention, detection and response activity undertaken by the team.
- 1.3 Though undertaking the planned activity, financial losses are prevented, additional revenue is identified for recovery, income is secured through the supply of services, and redress sought in cases of civil or criminal offending.

2. Introduction

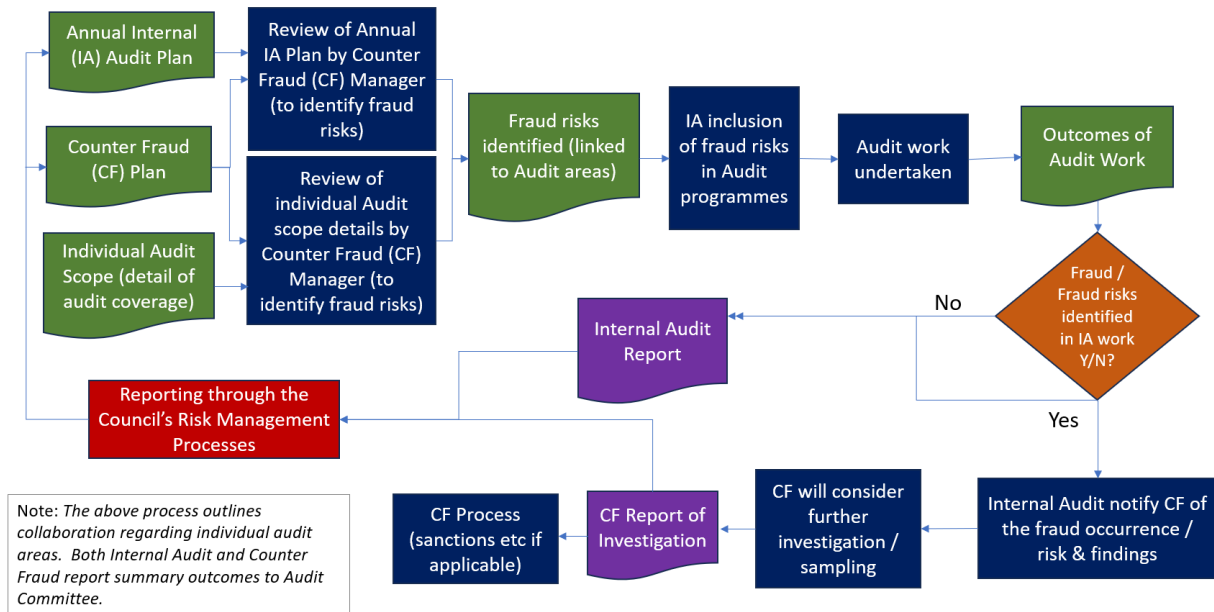
- 2.1. The cost of fraud to UK local government was estimated to be between £33.2 and £58.8 billion per year in 2020/21. This figure represents the financial impact of fraudulent activities on local government finances and underscores the importance of effective fraud prevention and detection measures to protect public resources. It's crucial for local authorities to adopt robust strategies to combat fraud and safeguard funds intended for vital public services.

3. Counter Fraud Plan Summary

- 3.1 A counter fraud plan is essential for preventing and detecting fraudulent activities within the public sector. The plan aims to strengthen the response to fraud and corruption. It involves leadership commitment, risk assessment, clear policies, staff training, collaboration, technology adoption, and ongoing monitoring.
- 3.2 By implementing these measures, the Council can better prevent, detect, and address fraudulent activities. The Counter Fraud Plan supports the Council's Counter Fraud and Corruption Policy [Counter Fraud and Corruption Policy - Torbay Council](#). The key elements of the Counter Fraud Policy and Plan are detailed below in items 3.3 to 3.9:
- 3.3 **Leadership and Governance:**
 - There are clearly defined responsibilities for fraud prevention and detection.
 - There is a dedicated counter-fraud team.

- Senior management are committed to anti-fraud efforts.
- 3.4 **Risk Assessment and Understanding:**
- We conduct regular risk assessments to identify areas vulnerable to fraud.
 - We understand the types of fraud prevalent in the local government context.
 - We analyse historical fraud cases to inform prevention strategies.
- 3.5 **Fraud Policies and Procedures:**
- We have developed and communicated our fraud policy.
 - The policy outlines procedures for reporting, investigating, and managing fraud cases, including the Council's whistleblowing arrangements.
- 3.6 **Training and Awareness:**
- We train staff on fraud awareness, prevention, and detection.
 - We promote a culture of vigilance and ethical behaviour.
 - We regularly update staff on emerging fraud risks.
- 3.7 **Collaboration and Information Sharing:**
- We collaborate with Internal Audit (see Flow diagram below), other local authorities, law enforcement, and relevant agencies.
 - We share intelligence on fraud trends and best practices.
 - We establish partnerships and relationships to tackle cross-boundary fraud
 - We undertake investigations with Department of Works and Pensions Fraud Officers
 - We provide information to the Department of Works and Pensions to support their investigations through the management of Local Authority Information Exchange Forms (LAIEFs)
- 3.8 **Use of Technology:**
- We leverage technology tools for fraud detection (e.g., data analytics).
 - We have secure systems in place for managing sensitive information.
 - We continually explore digital solutions for fraud prevention and detection.
- 3.9 **Monitoring and Reporting:**
- Fraud incidents and outcomes are monitored and tracked.
 - Fraud losses and recovery efforts are reported.
 - We regularly review the effectiveness of anti-fraud measures.

Counter Fraud and Internal Audit Collaboration Process



4. Counter Fraud Plan Detail

4.1 In order to develop the detailed plan, each area has been risk assessed based on various factors, which determined the areas of priority for the coming year.

4.2 **The Rolling Work Programme** incorporates the work that is continual within the Counter Fraud team. These include the following:

- Receive, review and respond to Local Authority Information Exchange Forms from DWP.
- Receive and review fraud referrals/allegations.
- Receive, review and respond to suspected Money Laundering Reports
- Conduct Investigations into allegations.
- Provide case by case prevention advice
- Monitor companies House movement.
- Conduct regular visits.
- Cllr Council Tax checks for voting right purposes
- Deceased monitoring to ensure prevention
- Ongoing Team Training in Counter Fraud.
- Fraud detection through programmes of work
- NFI matches review, including the pilot exercise
- Fraud landscape horizon scanning
- Receive review and respond to fraud intelligence alerts providing awareness of current/known threats to necessary departments or individuals
- Providing fraud awareness training through the mandatory i-learn course and give presentations at new starters induction events.
- Participate in the strategic group targeting empty properties
- Give presentations to new starts at their induction events to provide fraud awareness training

4.3 **The Scheduled Work Programme for 2024-25**, incorporates the following:

- Corporate Fraud Risk Assessments.
- Council tax exemptions reviews.
- Council tax disregards reviews.
- SPD review (amnesty) by writing to all recipients to request review

declaration

- Business Rates relief reviews (except CHARITY)
- Limited Companies Review across Council Tax, NDR and debtors
- Undertake work to provide a completed review of all properties registered with Council Tax
- Review of composite properties.
- Matching between Council Tax, Business Rates and Sundry Debtor Accounts.
- Household Support Fund - duplicate payments.
- Development of Procurement Fraud test methods.
- Identify a company to provide a follow up SPD review to identify any frauds in the system.
- Seek to develop of a new Blue Badge anti-fraud strategy together with the Head of Parking Service and the Baywide Community Services and Business Support manger from Torbay and South Devon NHS Foundation Trust.
- Review of concessionary fare cards to identify any cards in circulation issued to persons now deceased

4.4 **The Future Work Programme for 2025-26 onwards**

- Council Tax data match on joint bank accounts to single person discount properties.
- Review of attachment of earnings linked to earnt income for Working Age Council Tax Reduction Scheme (WACTR).
- Data match – Business Rates to Companies House.
- Data match – Council Tax company liabilities to Companies House.
- Data match – Disabled Facilities Grant (DFG) applications to WACTR.
- Data match - DFG applications to Council tax single person discount (SPD).
- Data match - ER to ER to identify duplicate registrations.
- Data match – domestic refuse collection to council tax chargebase
- Data match - School admissions to Council Tax SPD.
- Data match - Refuse registrations/slot bookings to council tax
- Data match - Street trading licensing to WACTR incomes.
- Data match - Rent in advance single claimants who move to new address with second person.
- Data match - WACTR with no earned income to Business Rates.
- Data match - SPD against credit reference agency data.
- Data match – temporary housing/homeless applications to credit reference agency data
- Data match – housing applications to credit reference agency data
- Review all Social Housing Tenancies awarded to Council owned properties

4.5. The Counter Fraud activities and outcomes are reported to Audit Committee on a regular basis which will provide details of progress against the planned work.

Rachel Worsley
Counter Fraud and Error Manager

Internal Audit

Audit Committee Assessment Introduction and Scope 2024-25

Page 139 **Torbay Council Audit Committee**

July 2024

Official



Tony Rose
Head of Devon Assurance Partnership

Jo McCormick
Deputy Head of Devon Assurance Partnership

Lynda Sharp-Woods
Audit Manager

Support, Assurance and Innovation

Agenda Item 17

Audit Committee Assessment Introduction and Scope

The Internal Audit plan for 2024-25 was presented and approved by the Audit Committee in March 2024. It includes an Audit Committee Assessment which will be based on the 2022 CIPFA document 'Audit Committees Practical Guidance for Local Authorities and Police'. The CIPFA guidance document is a CIPFA product and therefore cannot be published within this report.

The guidance covers the purpose of the audit committee, the core and possible wider functions of the audit committee, independence and accountability, and membership and effectiveness of audit committee.

CIPFA describe the aim of the guidance as '*to support you in your time as an audit committee member*' and the aim of the Devon Assurance Partnership in our work is to guide Members in a self-assessment exercise covering the following question areas set out the guidance:

- Audit Committee Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

We will work through the self-assessment questions in a facilitation role as part of the audit committee meetings with the intention of providing feedback to responses during those meetings.

Following completion of self-assessment against the questions, we will undertake any work required to verify the self-assessment responses. We will then report the outcomes and, if applicable, make recommendations to support the audit committee in its further development.

As the Devon Assurance Partnership is a partnership of local authorities, it is our intention to offer to undertake the same exercise with all the partner audit committees which will enable us to provide best practice information between the partners.

The Audit Committee's Terms of Reference is set out in the [Constitution](#) at Schedule 4 and was last published on 2nd July 2024. This will be a key reference point in the self-assessment process.

Expectations of the Audit Committee from this report

Audit Committee members are requested to:

- actively engage in the self-assessment process;
- provide information to support the verification;
- respond to the results of the self-assessment audit report with agreed actions;
- monitor completion of those actions.

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| <p>Devon Assurance Partnership</p> | <p>Confidentiality and Disclosure Clause</p> |
| <p>The Devon Assurance Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality assurance service provider. We work with our partners by providing a professional assurance services that will assist them in meeting their challenges, managing their risks, and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at Tony.d.Rose@devon.gov.uk</p> | <p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p> |

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Audit Committee Work Programme 2024/2025

| Date of Meeting | Report Title |
|-----------------|--|
| 30 October 2024 | <ul style="list-style-type: none"> • 2024/25 Treasury Management Mid-Year Review • 2023/24 SWISCO Limited Company Statutory Accounts • Strategic and Corporate Risk Report • Whistleblowing Complaints and HR Investigations • Progress against Corporate Peer Challenge Action Plan • Audit Committee Workplan |
| 29 January 2025 | <ul style="list-style-type: none"> • Internal Audit - Half Year Report including the outcomes of the Follow Up on Areas Requiring Improvement • 2025/26 Treasury Management Strategy • 2023/24 Torbay Council Audit Findings Report (Grant Thornton) • 2023/24 Statement of Accounts including Annual Governance Statement • Performance Update: Collection of Council Tax & Non-Domestic Rates • Progress against Corporate Peer Challenge Action Plan • Audit Committee Update • RIPA Update • Fraud 6 monthly Update • Audit Committee Workplan |
| 26 March 2025 | <ul style="list-style-type: none"> • Internal Audit Plan • Internal Audit Charter and Strategy • Fraud and Error Annual Plan • Strategic and Corporate Risk Report • Audit Committee Workplan |

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