TORBAY COUNCIL

Tuesday, 5 December 2023

AUDIT COMMITTEE

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

Wednesday, 13 December 2023

commencing at **10.00 am**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus, Torquay, TQ1 3DR

Members of the Committee

Councillor Steve Darling
Councillor Fellows
Councillor Hutchings
Councillor Long
Councillor Maddison
Councillor Penny (Vice-Chair)

Together Torbay will thrive

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Governance Support, 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 4 - 7)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 26 July 2023.

3. **Declarations of interests**

(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.

(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. **Torbay Council Audit Progress Report and Sector Update** (Pages 8 - 25)
To consider a report on the above.

6. **SWISCO Limited Company Statutory Accounts - Year ended 31 March 2023 Briefing Paper** (Pages 26 - 59)
To note the company statutory accounts for SWISCO Limited.

7. **Treasury Management Mid - Year Review 2023/24** (Pages 60 - 77)
To consider a report that provides Members with a review of Treasury Management activities during the first part of 2023/24.

8. **Collection of Council Tax and NNDR** (Pages 78 - 83)
To consider a report that has been prepared in response to

concerns raised at the July 2023 Audit Committee meeting regarding the collection of Council Tax, Non-Domestic Rates and corporate debt.

9. **Risk Management Update** (Pages 84 - 102)

To consider a report that provides members an update on the Council's current risk position and raises any notable information with regards to the council's overall risk management arrangements.

10. **HR Investigations and Whistleblowing** (Pages 103 - 108)

To note a report that provides a high-level summary of the number of HR investigations and Whistleblowing investigations in the year 1 January 2023 to 30 November 2023.

TORBAY COUNCIL

Minutes of the Audit Committee

26 July 2023

-: Present :-

Councillor Brook (Chairman)

Councillors Fellows, Law, Long, Penny (Vice-Chair), Joyce and Barbara Lewis

(Also in attendance: Councillors Spacagna and Tyerman)

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1. Apologies

It was reported that, in accordance with the wishes of the Conservative Group and Liberal Democrat Group, the membership of the Committee had been amended for this meeting by including Councillors Barbara Lewis, Joyce and Law instead of Councillors Bryant, Hutchings and Steve Darling respectively.

2. Treasury Management Outturn 2022/23 Report

Members considered an annual report on the treasury management activities undertaken during the year 2022/23, which was compared to the 2022/23 Treasury Management Strategy.

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 Authority to approve treasury management semi-annual and annual reports.

The Council's treasury management strategy for 2022/23 was approved by Council at a meeting on 3 March 2022. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

The Director of Finance explained that the proposed recommendation enables the organisation to think more about long term cash. At the moment the organisation can make cash balances work much better than it could six months ago due to higher interest rates. Advising Members that he would like more balance in the Council's investment portfolio comparable with the size of the organisation.

Resolved:

That the Audit Committee recommends to Council:

i) That the Treasury Management decisions made during 2022/23, as detailed in the submitted report be noted; and

ii) That the increases to limits within the Treasury Management Strategy 2023/24 as set out below be approved:

	Strategy 2023/24	**Recommended Change 2023/24**
Limit on principal invested beyond year end (Treasury Management Strategy section 7)	£20M	**£40M**

	Strategy 2023/24		**Recommended Change 2023/24**	
	Counterparty Limit	Sector Limit	**Counterparty Limit**	**Sector Limit**
Strategic Pooled Funds (Treasury Management Strategy Appendix 3, Table 9)	£10M	£20M	**£10M**	**£30M**

iii) That in principle, the Council doesn't borrow any further money unless there is a clear revenue or saving stream to support the required borrowing.

3. Internal Audit - Annual Audit Report 2022-23

Members considered the Annual Audit Report 2022-23. The Head of the Devon Audit Partnership informed Members that based on work performed during 2022/23, experience from previous years, and the outcome of the annual follow up exercise, previously reported, the Head of Internal Audit's Opinion was one of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal control framework.

Members asked questions in relation to two audits where an opinion of limited assurance was given, namely Council Tax and NNDR Processing and Covid Grants and the measures being taken to address the backlog caused as a result of the Covid Grants and Council Tax being processed by the same department.

Resolved:

That a report be presented to the Audit Committee on 15 November 2023 on the Internal Audit recommendations regarding collection of council tax, non-domestic rates and corporate debt. The report to include the proposed mitigation, progress in implementing required changes as a result of the Internal Audit and corresponding key performance indicators.

4. Interim Auditors Annual Report on Torbay Council 2021/22 and 2022/23

Members noted a report compiled by the Council's External Auditor's, Grant Thornton. Mr Dossett, Key Audit Partner, informed Members that under the National Audit Office Code of Audit Practice, Grant Thornton were required to consider whether the Council had put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, report in detail on the Council's overall governance arrangements including key recommendations on any significant weaknesses identified during the audit.

Mr Dossett informed Members that the National Audit Office had issued guidance that enabled auditors to provide a commentary that covered more than one financial year where it was more efficient and effective to do so. Mr Dossett advised Members that as the Council's external auditor they had decided to report a combined commentary on the authority's arrangements for 2021/22 and 2022/23 to ensure the reporting and assurance to the Council was fully up to date. Members noted that the Council's external auditors had not identified any significant weaknesses and the recommendations made within the report were 'improvement' recommendations rather than 'key' recommendations.

5. Annual Governance Statement 2022/2023

Members considered a report on the Annual Governance Statement 2022/2023. The Head of Policy, Performance and Community Engagement informed Members that 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.

Members welcomed the report and requested future iterations be analytical and restructured with an Executive Summary provided at the beginning with the section on the Governance Framework being included as an appendix.

Resolved:

That the draft Annual Governance Statement for 2022/2023 be agreed and incorporated within the formal Statement of Accounts.

6. Torbay Council Audit Progress Report and Sector Update

The Committee noted a report that set out a summary of emerging national issues and developments within the accounting and audit sector. Members were also made aware of a letter from Lee Rowley MP, Parliamentary Under-Secretary of State for Local Government and Building Safety, setting out proposals to clear the backlog of delayed audits for financial years 2015/16 to present. Mr Dossett informed Members that in order to meet the deadlines set by the Government, the audit of the 2021/22 accounts will recommence in October with the intention to complete in December.

The audit of 2022/23 accounts will commence thereafter. Enabling the outstanding sets of account to be signed off before the Government deadline.

7. Torbay Council's Risk Management Update Report

The Audit Committee noted a report that provided an update on the Council's current risk position and risk management arrangements. The Council uses a 5x5 risk matrix to score its risks, meaning the maximum risk score could be 25, any risk that had a mitigated score of 16 or above were reported to the Audit Committee. Members were advised that their role in the management of risk was to consider whether the authority was managing risk effectively and whether risks that were included were risks they would expect, rather than delving into the risk itself.

8. Risk Assurance Report for Our Integrated Adult Social Care Services

Members noted a report that provided a summary of both Devon Audit Partnership and Audit South West views following audits conducted by both organisations and the audit plans for 2023/24. Members were advised that Devon Audit Partnership (DAP) undertakes audits on the Council's governance services for Adult Social Care with Audit South West (ASW) conducting audits on the operational Adult Social Care services delivered by Torbay and South Devon NHS Foundation Trust's. The Director of Adult and Community Services informed Members that the reports provided by DAP and ASW provided considerable assurance on services that represent a significant spend for the Council. Members were informed that the Director of Adult and Community Services had requested audits on the ICO Sustainability and Improvement Plan (Management and Monitoring), Contracts Improvement Plan (a specific part of the Transformation and Sustainability Plan) for 2023/24.

Chairman

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

Grant Thornton

Torbay Council
Audit Progress Report and Sector Update

December 2023

Contents

Page 9

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

Your key Grant Thornton team members are:

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications https://www.grantthornton.co.uk/en/services/public-sector-services/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at December 2023

Financial Statements Audit (2021-22)

We are currently undertaking our work on your financial statements for 2021-22. We had planned to complete this work by the end of December 2023, but we have encountered some difficulties in doing so and therefore we now plan to complete the work by the end of January 2024.

Our work on the Council's significant risk areas (the valuation of the defined benefit pension net liability, valuation of land and building assets and of investment property assets, and management override of controls) is still ongoing. We have made significant progress on each of these areas.

Our work on other risk areas is still incomplete. However, we have made good progress in selecting samples and testing the evidence officers have returned to us.

The most significant outstanding issue is due to difficulties in completing reconciliations between the trial balance, working papers, and draft accounts. We are hopeful that these can be resolved in the near future.

Financial Statements Audit (2022-23)

Along with completing our work on 2021-22, we have undertaken some of our initial planning for the 2022-23 audit.

Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

The results of our work to date are included in this report.

In January 2024 we plan to issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2022-23 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the end of March 2024.

Progress at December 2023 (cont.)

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The National Audit Office(NAO)have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN 03 and issue their Auditor's Annual Report when their work is complete.

For 2022/23 audits, the NAO have confirmed that where the Auditor's Annual Report cannot be issued by 30 September it should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

Our Interim Auditor's Annual Report covering both 2021-22 and 2022/23 was issued on 26 July 2023.

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The certification work for the 2021-22 claim is substantially complete. Work for the 2022-23 claim will commence following the issuing of our final HBAP assurance report for 2021-22.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2022-23 return is complete and the Independent Auditor's Report was issued on 27 November 2023.

Meetings

We met with the Chief Executive and the Director of Finance in October as part of our regular liaison meetings. During the period of audit we have met on a regular basis with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Progress at December 2023 (cont.)

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2021-22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority’s 2021-22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	March 2022	Completed
Audit Findings Report The Audit Findings Report will be reported to the January Audit Committee.	January 2024	Not yet due
Auditors Report This includes the opinion on your financial statements.	January 2024	Not yet due

2022-23 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority’s 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	January 2024	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the March Audit Committee.	March 2024	Not yet due
Auditors Report This includes the opinion on your financial statements.	March 2024	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements. We have already issued the interim Auditor’s Annual Report, which covers both 2021-22 and 2022-23.	March 2024	Not yet due

Audit Deliverables

2021-22 and 2022-23 Audit-related Deliverables	Planned date	Status
Teachers Pensions Scheme – certification (2022-23) This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	November 2023	Completed
Housing Benefit Subsidy – certification (2021-22) This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	December 2023	Not yet due
Housing Benefit Subsidy – certification (2022-23) This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	TBC	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Page 17

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

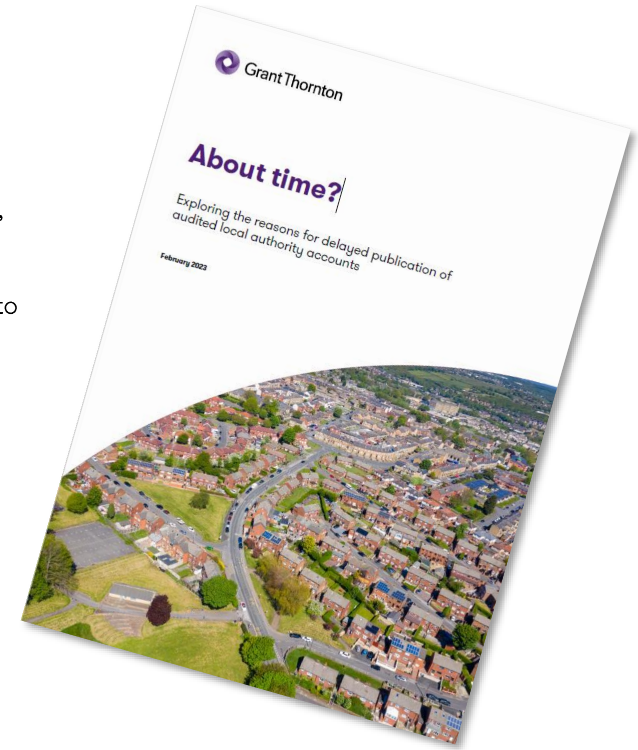
- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton]



Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In evidence to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years’ accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”

Current local audit deadline ‘unachievable’- Grant Thornton(cont.)

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

committees.parliament.uk/writtenevidence/118580/pdf/

DLUHC proposals to clear audit backlog

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

Legislative change may also be needed to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/

Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, Timeliness of local auditor reporting, which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.

Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/

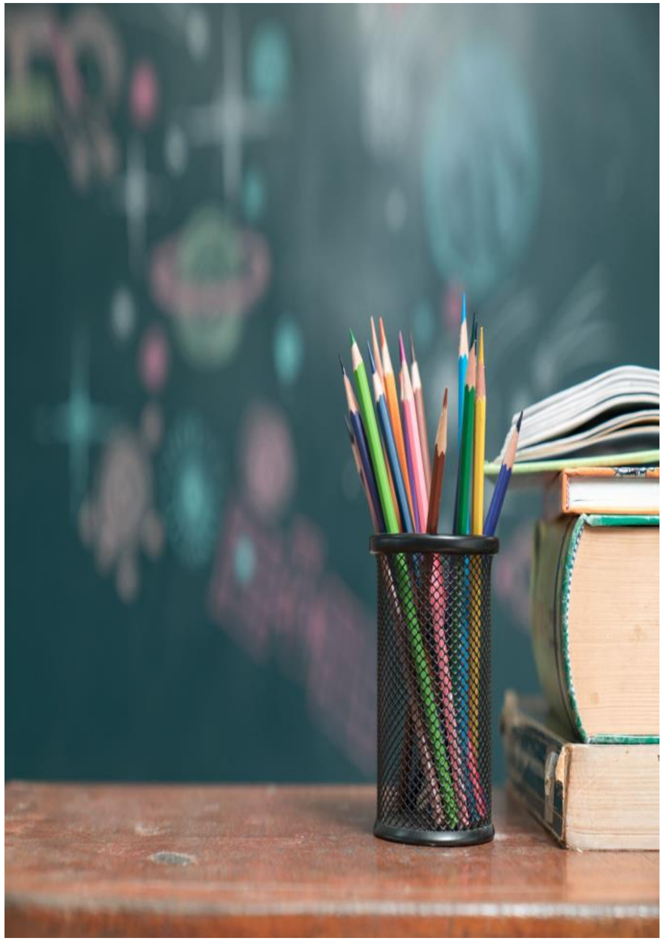
The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read the full report here

https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/



LGPS valuation gives 'cause for optimism' – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia's invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a report.

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: "Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

"While the good news is welcome, the hard work doesn't stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025."

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased "across the board" in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

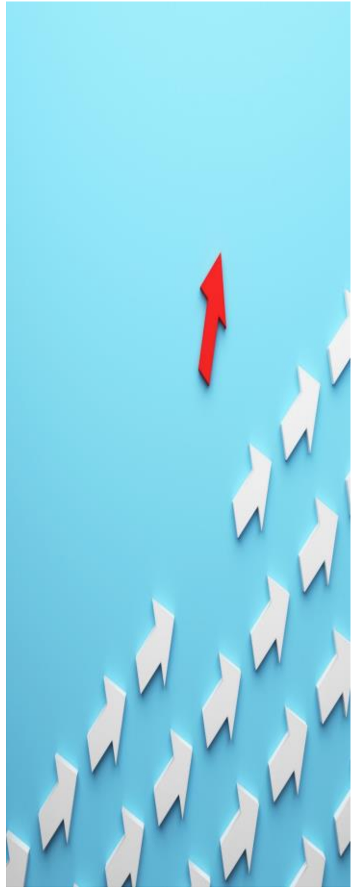
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

"This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a 'deficit working group' and the significant market events that the LGPS has had to navigate in recent years."

"Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade."

Read the full report here

LGPS_2022_Valuation_-_the_big_picture.pdf (hymans.co.uk)



Sustainability reporting in the public sector - CIPFA

CIPFA said, ‘Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.’

Sustainability reporting is the recording and disclosure of an organisation’s environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, ‘the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.’

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. ‘Public sector sustainability reporting: time to step it up’ provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting (cipfa.org)](https://www.cipfa.org)

SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before the announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

TORBAY COUNCIL

Meeting: Audit Committee **Date: 13 December 2023**

Wards Affected: All

Report Title: SWISCO Limited Company Statutory Accounts – Year ended 31 March 2023 Briefing Paper

Cabinet Member Contact Details: Councillor Alan Tyerman, Cabinet Member for Housing, Finance and Corporate Services, Alan.Tyerman@Torbay.gov.uk

Director/Assistant Director Contact Details: Matthew Fairclough-Kay, Director of Corporate Services, Matthew.Fairclough-Kay@Torbay.gov.uk

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The statutory accounts for SWISCO Limited, for the year ended 31st March 2023, are attached. The accounts have been audited by Bishop Fleming and their Independent Auditor's Report is included in the document.

Summary of Key Points

These accounts cover the second full year of SWISCO's operation, a year in which the business environment has continued to be challenging, and SWISCO's performance is set against the background of continuing challenges in the labour market, and escalating costs of materials and energy; the effects on staff costs have been difficult, with a need to place some reliance on overtime working and agency-supplied labour.

Nevertheless, during the financial year 2022/23, the financial and operational effectiveness of the Company has consolidated the stability from the previous year, and as a result it has not been dependent on additional financial support from the Council in order to support the core operation. During the year the company (with the support of the Council) began the strategic projects to transform its fleet of vehicles, and to implement enhanced operational software systems. These developments will bring substantial operational and financial benefits over a number of years.

The annual commissioning fee paid by the Council to SWISCO aims to enable SWISCO to operate at a breakeven level; in 2022/23, the company recorded an operational profit of £29,000. As the Committee will be aware, this is not immediately apparent in the statutory accounts, which under accounting standards have to show the impact of changes in the valuation of the LGPF pension fund, and the impact of accounting for leased fleet vehicles in both the Council's and the company's balance sheets. The effects on profit of the latter two adjustments mean that the statutory return shows a loss of £837,000; the balance sheet has improved from a negative position of £11.5m to a small positive as a result of the actuarial valuation of the Pension Fund at 31/03/23. These are accounting entries and do not reflect the actual operating position of the company.

Finally, the audit report makes reference to the need for accurate income recognition – in SWISCO's case particularly related to the calculation of year-end intercompany balances. Owing to the volumes of invoices raised to the Council (e.g. for Highways works) and the complexity of two different systems involved, there have been minor discrepancies between SWISCO and Council balances at year-end; however, the auditors have noted that in 22/23 there was a notable improvement in the accuracy and work continues to improve the processes involved.

Registered Number: 12213029

SWISCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Bishop Fleming

COMPANY INFORMATION

DIRECTORS	Anne-Marie Bond Matthew Fairclough-Kay Alan Denby (appointed 1 April 2023) Matthew Reeks (appointed 1 September 2023)
COMPANY SECRETARY	Joseph While
REGISTERED NUMBER	12213029
REGISTERED OFFICE	Town Hall Castle Circus Torquay Devon TQ1 3DR
INDEPENDENT AUDITORS	Bishop Fleming LLP Chartered Accountants & Statutory Auditors Salt Quay House 4 North East Quay Sutton Harbour Plymouth PL4 0BN
BANKERS	Nat West Bank 108 Union Street Torquay Devon TQ2 5PH

CONTENTS

INTRODUCTION

The directors present their strategic report and the audited financial statements of the Company for the year ended 31 March 2023.

BUSINESS REVIEW

The accounts for this period ended 31st March 2023 represent the second full year of the commissioning model with the Council, which has presented more opportunities to deliver services for the Council, thereby growing the turnover of the company and allowing increased efficiency of operations. The model enables SWISCO to improve the quality of its customer service, and by ensuring that processes between the client and the operational teams are more joined up, it means SWISCO has made sound progress in pursuing its ultimate strategic objective – to achieve better outcomes for the citizens of Torbay.

However, in tandem with these over-arching responsibilities (which include discharging important statutory duties and responsibilities for the Council) the company strategy is to develop a framework of strong governance and performance accountability. During the financial year 2022/23, the financial and operational effectiveness of the Company has consolidated the stability from the previous year, and as a result it has not been dependent on additional financial support from the Council in order to support the core operation. The Directors recognise that, going forward, this position needs to be continued.

The business environment in the year 2022/23 has continued to be challenging, and SWISCO's performance is set against the background of continuing challenges in the labour market, and escalating costs of materials and energy; the effects on staff costs have again been difficult, with a need to place some reliance on overtime working and agency-supplied labour. Pay awards in line with the Council's Local Government settlement also put pressure on the bottom line.

Taking a longer-term view of the Company's financial strategy, the Directors will continue to pursue business efficiency and enhanced customer delivery standards, whilst at the same time applying strict financial control over those trading costs the Company can influence. Within this context, the year saw the beginning of a strategic capital investment by the company in replacing its ageing fleet of vehicles, and in implementing new software solutions to bring greater control and efficiency in operations.

PRINCIPAL RISKS AND UNCERTAINTIES

One element of improving financial performance which continued to provide a challenge, has been developing the commercial waste side of the business, where opportunities do exist. The Company aspires to be seen as the provider of choice for residents and businesses alike, and as such, successful growth of external activities would strengthen the reputation of the Council.

The Company generated a small operating surplus in the year before FRS 102 pension adjustments, which can be reinvested to the benefit of the residents and communities of Torbay. As highlighted above, this runs alongside the development of upgraded software support systems, which will reduce costs and increase efficiency, and the start of a programme of vehicle replacement which will reduce costs of operating the Company's substantial fleet. The key business improvement themes therefore continue to be:

• Improve the financial efficiency of the business to minimise the level of support required from the Council

• Strive for top-quality customer-focussed services that enhance the reputation of the Council and the Company, and support winning new business and commercial success

• Continue to develop and strengthen the model of governance and performance accountability to highlight the benefits of, and give confidence in, the Council's commissioning approach

FINANCIAL KEY PERFORMANCE INDICATORS

In the 2022/23 financial year, gains through operational efficiencies were partly offset by continued pressures on staffing costs in a very difficult labour market, and by the steeply-rising costs of materials and fuel. As a result, the Company is reporting that, before posting the year-end technical accounting adjustments for the defined benefit pension scheme, the Company recorded an operating surplus of £29,659.

Overall, it is still considered that any alternative commissioning solution (such as part-ownership or fully out-sourced) would likely result in a significantly higher financial strain over the next few years of the business. If the projected efficiency savings, additional operating costs and key initiatives to deliver the Company Business Plan are modelled over the next three financial years, this will result in a predicted sustained reduction in the commissioning fee that would be required from the Council as Shareholder.

This report was approved by the board on and signed on its behalf.

Alan Denby
Director

The directors present their report and the financial statements for the year ended 31 March 2023.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £837,341 (2022: loss £662,982).

DIRECTORS

The directors who served during the year were:

Anne-Marie Bond
Kevin Paul Mowat (resigned 31 March 2023)
Martin Keith Phillips (resigned 15 June 2023)
Matthew Fairclough-Kay

FUTURE DEVELOPMENTS

SWISCO Limited is proving an exciting opportunity for the Council and its residents. Having stabilised the operation and the financial position of the Company (following the transfer of services from TOR2 Limited in July 2020) the aim continues to be improvement and strengthening of the services provided by the Company. Investment in the company has begun, and includes replacement and modernisation of its fleet, and replacement and improvement of its IT systems to provide a better interface for Torbay residents and to provide operational efficiencies.

A key focus of the company is the ongoing commitment to increase recycling rates, for example by improved kerbside collection processes. At the request of the Council the Company has introduced a green waste collection service for Torbay residents. The Company will have a particular focus on working with the community in improving the green spaces throughout Torbay.

ENGAGEMENT WITH EMPLOYEES

The Company places considerable value on engagement with its employees and, within the limits of commercial confidentiality, has continued to keep them fully informed of matters that affect progress of the Company and that may be of interest to them as employees.

The Company is committed to inclusion and works to eliminate discrimination, so that employees can work in a diverse environment free from intimidation, victimisation or harassment.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Alan Denby
Director

Date:

Town Hall
Castle Circus
Torquay
Devon
TQ1 3DR

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SWISCO LIMITED

OPINION

We have audited the financial statements of Swisco Limited (the 'Company') for the year ended 31 March 2023, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the analysis of net debt, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the sector, control environment and the Company's performance;
- results of our enquiries of management and the Directors, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year-end cut-off. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We identified and obtained an understanding of the laws and regulations that are of significance to the Company by discussions with directors and by updating our understanding of the sector in which the Company operated in. Laws and regulations that are of direct significance to the, and of which non-compliance could result in material misstatement, are considered to be the UK Companies Act, FRS 102 and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included data protection, health and safety, employment legislation and apporpriate transport regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of Directors and management concerning actual and potential litigation and claims;
- performing procedures to confirm material compliance with the requirements of the above regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of Board meetings; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nathan Coughlin FCA (Senior statutory auditor)
for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth
PL4 0BN
Date:

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	**2023** £	2022 £
Turnover	4	**21,514,268**	18,679,987
Cost of sales		**(17,929,841)**	(15,143,356)
Gross profit		**3,584,427**	3,536,631
Administrative expenses		**(3,963,783)**	(3,762,488)
Operating loss	5	**(379,356)**	(225,857)
Interest payable and similar expenses	5	**(161,985)**	(166,125)
Other finance expense	18	**(296,000)**	(271,000)
Loss before tax		**(837,341)**	(662,982)
Tax on loss		**-**	-
Loss for the financial year		**(837,341)**	(662,982)
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme	18	**12,902,000**	2,473,000
Pension surplus not recognised		**(488,000)**	-
Other comprehensive income for the year		**12,414,000**	2,473,000
Total comprehensive income for the year		**11,576,659**	1,810,018

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note		2023 £		2022 £
Fixed assets					
Tangible assets	7		**4,714,387**		4,163,110
Current assets					
Stocks	8	**289,949**		270,785	
Debtors: amounts falling due within one year	9	**1,348,764**		1,159,784	
Cash at bank and in hand	10	**738,651**		1,157,437	
		2,377,364		2,588,006	
Creditors: amounts falling due within one year	11	**(3,322,408)**		(3,629,524)	
Net current liabilities			**(945,044)**		(1,041,518)
Total assets less current liabilities			**3,769,343**		3,121,592
Creditors: amounts falling due after more than one year	12		**(3,714,759)**		(3,096,667)
Pension liability/asset	18		**-**		(11,547,000)
Net assets/(liabilities)			**54,584**		(11,522,075)
Capital and reserves					
Called up share capital	15		**1**		1
Profit and loss account	17		**54,583**		(11,522,076)
			54,584		(11,522,075)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Alan Denby
Director

Date:

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2021	**1**	**(13,332,094)**	**(13,332,093)**
Comprehensive income for the year			
Loss for the year	**-**	**(662,982)**	**(662,982)**
Actuarial gains on pension scheme	**-**	**2,473,000**	**2,473,000**
At 1 April 2022	**1**	**(11,522,076)**	**(11,522,075)**
Comprehensive income for the year			
Loss for the year	**-**	**(837,341)**	**(837,341)**
Actuarial gains on pension scheme and surplus not recognised	**-**	**12,414,000**	**12,414,000**
Total comprehensive income for the year	**-**	**11,576,659**	**11,576,659**
At 31 March 2023	**1**	**54,583**	**54,584**

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Cash flows from operating activities		
Loss for the financial year	**(837,341)**	(662,982)
Adjustments for:		
Depreciation of tangible assets	**841,913**	742,177
(Profit)/Loss on disposal of tangible assets	**(13,194)**	6,733
Interest paid	**161,985**	166,125
(Increase) in stocks	**(19,164)**	(27,170)
(Increase)/decrease in debtors	**(188,980)**	91,238
(Decrease)/increase in creditors	**(206,973)**	48,315
Pension serivce charge and interest	**867,000**	696,000
Net cash generated from operating activities	**605,246**	1,060,436
Cash flows from investing activities		
Purchase of tangible fixed assets	**(1,407,079)**	(248,856)
Sale of tangible fixed assets	**27,083**	27,391
Net cash from investing activities	**(1,379,996)**	(221,465)
Cash flows from financing activities		
Repayment of/new finance leases	**(525,178)**	(326,518)
New loans from the Council	**1,043,127**	-
Interest paid	**(22,470)**	(8,803)
HP interest paid	**(139,515)**	(157,322)
Net cash used in financing activities	**355,964**	(492,643)
Net (decrease)/increase in cash and cash equivalents	**(418,786)**	346,328
Cash and cash equivalents at beginning of year	**1,157,437**	811,109
Cash and cash equivalents at the end of year	**738,651**	1,157,437
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**738,651**	1,157,437
	738,651	1,157,437

The notes on pages 14 to 25 form part of these financial statements.

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2023

	At 1 April 2022 £	Cash flows £	At 31 March 2023 £
Cash at bank and in hand	**1,157,437**	**(418,786)**	**738,651**
Debt due after 1 year	**-**	**(1,164,390)**	**(1,164,390)**
Debt due within 1 year	**(366,000)**	**121,263**	**(244,737)**
Finance leases	**(3,595,732)**	**525,178**	**(3,070,554)**
	(2,804,295)	**(936,735)**	**(3,741,030)**

The notes on pages 14 to 25 form part of these financial statements.

1. GENERAL INFORMATION

SWISCO Limited is a private company, limited by shares, incorporated in England, United Kingdom. The address of the registered office is Town Hall, Castle Circus, Torquay, Devon, United Kingdom, TQ1 3DR. The principal activity of the Company is to provide services to the local council.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 GOING CONCERN

Following the initial period of trading in 2020/21, SWISCO successfully moved to a sustainable funding model with the Council that enables the Company to achieve a moderate operating surplus. Before the technical accounting adjustments required by FRS 102, the company recorded a small profit in 2022/23.

The Council have committed to provide the company with appropriate support to enable them to meet all liabilities as they fall due for a period of at least 12 months from the approval of these financial statements, whilst the Company continues to improve its net current liability position under the new funding model. In light of this, the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

2.3 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. ACCOUNTING POLICIES (continued)

2.4 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 FINANCE COSTS

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 BORROWING COSTS

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.7 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

DEFINED BENEFIT PENSION PLAN

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

2. ACCOUNTING POLICIES (continued)

2.7 PENSIONS (CONTINUED)

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.8 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.9 DEPRECIATION

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 5 to 15 years
Plant and machinery	- 2 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 DEBTORS

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. ACCOUNTING POLICIES (continued)

2.12 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.13 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

FRS102 Pension valuation
The FRS102 pension valuation for the Local Government Pension Scheme is conducted by an actuary and the assumptions drawn from the actuarial report impact SWISCo Limited's share of the pension liability. The estimation of the pension liability is based on a variety of external economic factors which change from year to year.

The Company has chosen not to recognise a surplus of £488,000 (2022 - £nil) in respect of its defined benefit pension scheme as it does not expect to recover the plan surplus either through reduced contributions in the future of through refunds from the plan for the forseeable future.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2023 £	2022 £
Cyclical	**14,789,353**	13,701,554
Ordered	**3,318,893**	1,989,863
External	**3,406,022**	2,988,570
	21,514,268	18,679,987

All turnover arose within the United Kingdom.

5. OPERATING LOSS

The operating loss is stated after charging:

	2023 £	2022 £
Depreciation	**841,913**	742,176
Auditors' remuneration	**16,500**	15,000
Other operating lease rentals	**316,000**	316,000
(Profit)/loss on sale of tangible assets	**(13,194)**	6,733

6. EMPLOYEES

Staff costs were as follows:

	2023 £	2022 £
Wages and salaries	**7,900,334**	7,461,834
Social security costs	**787,034**	642,522
Cost of defined benefit scheme	**1,199,019**	1,303,180
Cost of defined contribution scheme	**164,329**	140,082
	10,050,716	9,547,618

The average monthly number of employees, including the directors, during the year was as follows:

	2023 No.	2022 No.
Asset and Streetscene	**133**	134
Overhead	**14**	14
Waste and Recycling	**132**	133
	279	281

The total compensation paid to key management personnel during the year was £336,467 (2022: £254,106).

7. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Plant and machinery £	Total £
COST OR VALUATION			
At 1 April 2022	**355,220**	**4,943,576**	**5,298,796**
Additions	**46,518**	**1,360,561**	**1,407,079**
Disposals	**-**	**(40,000)**	**(40,000)**
At 31 March 2023	**401,738**	**6,264,137**	**6,665,875**
DEPRECIATION			
At 1 April 2022	**90,043**	**1,045,643**	**1,135,686**
Charge for the year on owned assets	**57,636**	**245,753**	**303,389**
Charge for the year on financed assets	**-**	**538,524**	**538,524**
Disposals	**-**	**(26,111)**	**(26,111)**
At 31 March 2023	**147,679**	**1,803,809**	**1,951,488**
NET BOOK VALUE			
At 31 March 2023	**254,059**	**4,460,328**	**4,714,387**
At 31 March 2022	265,177	3,897,933	4,163,110

8. STOCKS

	2023 £	2022 £
Finished goods and goods for resale	**289,949**	270,785

9. DEBTORS

	2023 £	2022 £
Trade debtors	**455,142**	273,196
Other debtors	**11,711**	10,988
Prepayments and accrued income	**881,911**	875,600
	1,348,764	1,159,784

10. CASH AND CASH EQUIVALENTS

	2023 £	2022 £
Cash at bank and in hand	**738,651**	1,157,437

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Amounts owed to Council	**244,737**	366,000
Trade creditors	**709,417**	621,552
Other taxation and social security	**538,520**	520,190
Obligations under finance lease and hire purchase contracts	**520,185**	499,065
Other creditors	**33,483**	157,024
Accruals and deferred income	**1,276,066**	1,465,693
	3,322,408	3,629,524

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £	2022 £
Amounts owed to Council	**1,164,390**	-
Net obligations under finance leases and hire purchase contracts	**2,550,369**	3,096,667

13. LOANS

Analysis of the maturity of loans is given below:

	2023 £	2022 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Loan with Council	**244,737**	366,000
AMOUNTS FALLING DUE 1-2 YEARS		
Loan with Council	**240,093**	-
AMOUNTS FALLING DUE 2-5 YEARS		
Loan with Council	**636,631**	-
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Loan with Council	**287,666**	-
	1,409,127	366,000

14. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2023	2022
	£	£
Within one year	**520,185**	499,065
Between 1-5 years	**2,298,146**	2,229,668
Over 5 years	**252,223**	866,999
	3,070,554	3,595,732

15. SHARE CAPITAL

	2023	2022
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
1 Ordinary shares share of £1.00	**1**	1

16. DEFERRED TAXATION

The deferred tax asset relating to the defined benefit pension scheme and trading losses during the year has not been recognised as there is no certainty over making profits in the short term. The value of the deferred tax asset is £39,672 (2022: £2,874,465).

17. RESERVES

Profit and loss account

The profit and loss reserve reflects cumulative profits and losses net of distributions to shareholders.

18. PENSION COMMITMENTS

The Company operates a defined benefit pension scheme.

The company operates a defined benefit pension scheme. The assets of the scheme are held seperately from those of the company in an independently administered fund. The contributions payable by the company to the fund amounted to £792,349 (2022: £747,261). Contributions totalling £33,232 (2022: £64,819) were payable to the fund at the balance sheet date and are included in creditors.

The pension cost and provision for the year ended 31 March 2023 are based on the advice of a professionally qualified actuary.

Reconciliation of present value of plan liabilities:

	2023	2022
	£	£
RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES		
At the beginning of the year	**27,943,000**	28,001,000
Current service cost	**1,183,000**	1,294,000
Interest cost	**710,000**	571,000
Actuarial gains/losses	**(13,454,000)**	(1,582,000)
Employee contributions	**171,000**	160,000
Benefits paid	**(342,000)**	(501,000)
Derecognition of surplus	**488,000**	-
AT THE END OF THE YEAR	**16,699,000**	27,943,000

Reconciliation of present value of plan assets:

	2023	2022
	£	£
At the beginning of the year	**16,396,000**	14,948,000
Interest income	**424,000**	309,000
Employer contributions	**612,000**	598,000
Employee contributions	**171,000**	160,000
Benefits paid	**(342,000)**	(501,000)
Administration expenses	**(10,000)**	(9,000)
Return on assets less interest	**(552,000)**	891,000
AT THE END OF THE YEAR	**16,699,000**	16,396,000

18. PENSION COMMITMENTS (CONTINUED)

	2023 £	2022 £
Fair value of plan assets	**16,699,000**	16,396,000
Present value of plan liabilities	**(16,699,000)**	(27,943,000)
NET PENSION SCHEME LIABILITY	**-**	(11,547,000)

The amounts recognised in profit or loss are as follows:

	2023 £	2022 £
Current service cost	**(1,183,000)**	(1,294,000)
Interest on obligation	**(710,000)**	(571,000)
Interest income on plan assets	**414,000**	300,000
TOTAL	**(1,479,000)**	(1,565,000)

The Company expects to contribute £564,000 to its defined benefit pension scheme in 2024.

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023 %	2022 %
Discount rate	**4.8**	2.55
Future salary increases	**3.9**	4.15
Future pension increases	**2.9**	3.15
Inflation assumption	**2.9**	3.15
Mortality rates (years)		
- for a male aged 65 now	**21.8**	22.70
- at 65 for a male aged 45 now	**23.1**	24
- for a female aged 65 now	**22.9**	24
- at 65 for a female member aged 45 now	**24.4**	25.4

19. RELATED PARTY TRANSACTIONS

Owed to parent

During the year transactions with Torbay Council were as follows: turnover through the statement of comprehensive income totalled £18,108,247 (2022: £15,691,417). Expenditure totalled £1,694,341 (2022: £1,555,553).

Included within debtors are balances owed from Torbay Council amounting to £737,066 (2022: £218,758).

Included within creditors are balances owed to Torbay Council amounting to £1,897,956 (2022: £897,537).

Owed to fellow subsidiaries

Included within creditors are balances owed to Torbay Economic Development Company amounting to £1,250 (2022: £2,927).

20. CONTROLLING PARTY

Torbay Council is the immediate and ultimate parent undertaking the financial statements are available from its Registered Office at Town Hall, Castle Circus, Torquay, Devon, United Kingdom, TQ1 3DR.

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Turnover	**21,514,268**	18,679,987
Cost Of Sales	**(17,929,840)**	(15,143,356)
GROSS PROFIT	**3,584,428**	3,536,631
GROSS PROFIT %	**16.7 %**	18.9 %
LESS: OVERHEADS		
Administration expenses	**(3,963,784)**	(3,762,488)
OPERATING LOSS	**(379,356)**	(225,857)
Interest payable	**(161,985)**	(166,125)
Other finance income	**(296,000)**	(271,000)
LOSS FOR THE YEAR	**(837,341)**	(662,982)

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
REVENUE		
Cyclical	**14,789,353**	13,701,554
Ordered	**3,318,893**	1,989,863
External	**3,406,022**	2,988,570
	21,514,268	18,679,987

	2023 £	2022 £
COST OF SALES		
Purchases - finished goods	**3,381,040**	2,949,085
Wages and salaries	**7,270,463**	6,877,377
National insurance	**720,985**	601,628
CoS staff pens costs - defined contribution scheme	**164,329**	140,082
CoS staff pens current service costs (DB)	**1,075,000**	1,211,000
Subcontract labour	**1,582,057**	1,021,359
Hire of plant and equipment	**1,324,153**	827,099
Depreciation of plant and equipment	**149,397**	51,166
Direct expenditure	**402,060**	356,215
Agency	**1,860,356**	1,108,345
	17,929,840	15,143,356

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
ADMINISTRATIVE EXPENSES		
Staff salaries	**629,871**	584,457
Staff private health insurance	**13,650**	25,214
Staff national insurance	**66,049**	40,893
Staff pension costs - defined benefit schemes	**16,019**	9,180
Staff pension current service costs (DB)	**108,000**	83,000
Staff training	**99,264**	36,406
Staff welfare	**32,949**	30,401
Motor running costs	**33,657**	32,554
Printing and stationery	**104,170**	73,607
Computer costs	**138,944**	176,831
Advertising and promotion	**3,733**	11,281
Legal and professional	**433,078**	529,009
Overhead accruals and accountancy costs	**55,897**	68,816
Bank charges	**19,816**	21,864
Sundry expenses	**32,077**	21,270
Rent - operating leases	**316,000**	316,000
Rates	**142,734**	142,587
Water	**44,965**	41,110
Light and heat	**122,608**	75,187
Cleaning	**(2,704)**	12,785
Insurances	**677,381**	648,880
Repairs and maintenance	**116,337**	64,754
Sundry establishment expenses	**50,208**	9,025
Depreciation - plant and machinery	**608,769**	636,724
Depreciation - leasehold property	**57,635**	54,287
Profit/loss on sale of tangible assets	**(13,194)**	6,733
Other expenditure	**53,999**	10,207
Bad debt	**1,872**	(574)
	3,963,784	3,762,488

	2023 £	2022 £
Bank loan interest payable	**22,470**	8,803
Hire purchase interest payable	**139,515**	157,322
	161,985	166,125

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	£
Interest income on pension scheme assets	**414,000**	300,000
Interest on pension scheme liabilities	**(710,000)**	(571,000)
	(296,000)	(271,000)

TORBAY COUNCIL

Meeting: Audit Committee **Date:** 13th December 2024

Wards affected: All wards in Torbay

Report Title: Treasury Management Mid – Year Review 2023/24

When does the decision need to be implemented? Immediate

Cabinet Member Contact Details: Councillor Alan Tyerman**,** alan.tyerman@torbay.gov.uk

Director/Divisional Director Contact Details: Pete Truman, Principal Accountant, pete.truman@torbay.gov.uk

1. Purpose of Report

1.1 This report provides Members with a review of Treasury Management activities during the first part of 2023/24. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations.

1.2 The report has been prepared based on performance and data at 30th September 2023 but updated for significant post-period events.

1.3 The key points in the Treasury Management review are as follows:

- Interest rates have risen steadily with Bank Rate reaching 5.25% in August 2023
- Gilt yields and therefore PWLB rates are around 1% higher than those at the start of the year.
- No new borrowing has been undertaken and internal resources used to fund capital expenditure.
- A proportion of cash balances have been locked into longer duration deposits at peak rates.
- Early repayment of an element of the debt portfolio was made after the period covered by this report.
- All decisions have complied fully with adopted principles and the Council's approved Treasury Management Strategy.

2. Reason for Proposal and its benefits

2.1 The preparation of a mid-year review on the performance of the treasury management function forms part of the minimum formal reporting arrangements required by the CIPFA Code of Practice for Treasury Management.

3. Recommendation(s) / Proposed Decision

3.1 that the Audit Committee provide any comments and/or recommendations on the Treasury Management mid-year review for 2023/24

Appendices

Appendix 1: Economic commentary
Appendix 2: Non-Treasury Management Investments

Background Documents

Treasury Management Strategy 2023/24

1. Introduction

1.1 In February 2019 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 Treasury Management strategy for 2023/24 was approved 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.

1.3 Treasury Management decisions and strategies have been made in consultation with the Council's advisors, Arlingclose Ltd.

2. Economic Commentary

2.1 The significant economic events impacting the Treasury Management strategy during the year were:

- Persistently high inflation levels at the start of the period pushed up forecasts of Bank Rate rises. However inflation data at the end of the period was below expectations with markets reassessing the peak in rates.
- The Monetary Policy Committee continued to raise Bank Rate reaching 5.25% in August. Against expectations the rate was maintained at that level in September.
- Gilt yields rose steadily at the start of the year, peaking in August and then falling back.

2.2 A full economic commentary covering the first quarter 2023/24 by Arlingclose Ltd is provided at Appendix 1 to this report.

2.3 Arlingclose's key observations for the remainder of 2023/24 are set out below:

- Bank Rate has likely peaked at 5.25% and could stay at that level for a further 9 months before falling back.
- Inflation will fall over the next 12 months with interruptions from higher energy prices.
- Gilt yields are expected to fall from their current levels reflecting the medium-term path of Bank Rate. However, gilt yields will remain relatively higher than in the recent past.
- Geo-political events will give rise to heightened risk of substantial volatility in yields.

3. Local Context

3.1 On 31st March 2023, the Council had net borrowing of £294m 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

	31st March 2023 Actual £m	31st March 2024 Forecast (at 30.9.23) £m	31st March 2024 Forecast (Current)* £m
Total Capital Financing Requirement (CFR)	**428**	**453**	**453**
Less: Other debt liabilities	(15)	(14)	(14)
Borrowing CFR	**413**	**439**	**439**
Financed by:			
External borrowing	**385**	**378**	**359**
Internal borrowing	28	61	80
Total	413	439	439
Internal Resources for investment:			
Useable Reserves	(96)	(86)	(86)
Working Capital/Other	(23)	(50)	(50)
Less: Cash resource applied to Internal Borrowing	28	61	80
Total Treasury Management Investments	**(91)**	**(75)**	**(56)**
Net Treasury Management Position			
External Borrowing	385	378	359
Investments	(91)	(75)	(56)
Net Total	**294**	**303**	**303**

* updated for post-period transaction – see paragraph 4.9

3.2 The treasury management position (nominal values) on 30th September 2023 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.9.23 Balance £m	30.9.23 Rate %
Long-term borrowing	385	(2)	383	2.98
Short-term borrowing	0	0	0	0
Total borrowing	**385**	**(2)**	**383**	**2.98**
Long-term investments	(15)	0	(15)	4.27
Short-term investments	(75)	7	(68)	4.90
Cash and cash equivalents	(1)	(8)	(9)	1.70
Total investments	**(91)**	**(1)**	**(92)**	**4.67**

4. Borrowing

4.1 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively. More recently, rates have fallen back slightly, and current forecasts are for a further slow decline in borrowing levels.

4.2 As outlined in the Treasury Management Strategy, 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 long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

4.3 The Council's strategy for 2023/24 to use internal resources to fund capital spend has been reinforced by a rationalisation of the Capital Plan, reducing the forecast of Capital Financing Requirement in the short to medium term. New borrowing decisions are likely to be delayed and exposed to lower forecast rates in the future.

4.4 No new borrowing was undertaken while a £2m existing loan has been allowed to mature without replacement. A further loan of £7m maturing 31st March 2024 will also likely not be replaced.

4.5 The Council will continue to monitor with the support of its Treasury advisor's any alternative borrowing options.

4.6 Outstanding loans on 30th September 2023 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	30.9.23 Balance £m	30.9.23 Weighted Average Rate %	30.9.23 Weighted Average Maturity (years)
Public Works Loan Board	375	(2)	373	2.935	26
Banks (LOBO)	5	0	5	4.395	55
Banks (fixed term)	5	0	5	4.700	51
Total borrowing	**385**	**(2)**	**383**	**2.977**	**27**

4.7 LOBO loans: The Council continues to hold £5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The lender option does not commence until 2028.

4.8 After £0.7m repayment of prior years' Private Finance Initiative debt, the balance outstanding stood at £15.0m on 30th September 2023, taking total debt to £398m.

4.9 Update. Recently (November 2023), the Director of Finance negotiated the early repayment of £18.7M of PWLB loans for the purpose of realigning the borrowing portfolio with revised capital plans over the medium term. The average rate of loans removed from the loans book was 4.585% and included the highest coupon loans held at the time (5.875% - 8.750%). A net revenue saving of £0.9M is forecast, accounted for over the term of the remaining life of the repaid loans.

4.10 The effect of the repayment on the borrowing figures in paragraph 4.9 is illustrated in the revised Table 3 below:

Table 3: Borrowing Position (re-stated)

	30.9.23 Balance £m	Net Movement £m	Current Balance £m	Current Weighted Average Rate %	Current Weighted Average Maturity (years)
Total borrowing	**383**	**(19)**	**364**	**2.894**	**26**

5. Treasury Investment Activity

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

5.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year investment balances ranged between £83m and £102m 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	30.9.23 Balance £m	30.9.23 Income Return %	30.9.23 Weighted Average Maturity days
Banks & Building Societies	5.8	3.1	8.9	1.70	1
Government	20.0	9.5	29.5	5.22	78
Local Authorities	48.0	(10.0)	38.0	4.59	279
Money Market Funds	8.5	1.8	10.3	5.29	1
Other Pooled Funds:					
- Short-dated bond funds	4.0	(4.0)	0.0	-	-
- Property fund*	4.6	(0.1)	4.5	3.87	-
Total Investments	**90.9**	**0.3**	**91.2**	**4.56**	**149**

5.3 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.

5.4 Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on Government Debt Management Account Deposit Facility, (DMADF) deposits also rose, ranging between 5.17% and 5.29% by the end of September and Money Market Rates between 5.19% and 5.32%

5.5 Towards the latter part of the period a number of deposits of one-year duration were made with local authorities at rates of 5.85% and 5.95% in anticipation of falling market rates, reacting to improved inflation figures. Otherwise investments were kept short with the government DMADF facility and in Money Market Funds.

5.6 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking exercise (Q2 to end September 2023) in Table 5 below.

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

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
30.06.2023	4.56	A+	25%	132	4.09%
30.09.2023	4.45	AA-	22%	149	4.56%
Similar LAs	**4.47**	**AA-**	**59%**	**42**	**4.79%**
All LAs	**4.57**	**A+**	**65%**	**13**	**4.71%**

5.7 The benchmarking results reflect the Council's appetite for longer dated deposits with safest counterparties (DMADF, LA's) and the return has been weighed down by deposits taken in the previous financial year which will unwind when these mature after October 2023.

5.8 **Externally Managed Pooled Funds**: £5m of the Council's investments is held 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. Over a year (30/09/22 to 30/09/23) this fund has generated an average total loss of 0.8m (-14.3%), comprising a £0.2m (3.9%) income return which is used to support services in year, and a £1.0m (-18.2%) reduction in the capital valuation of the Fund. (This reduction reverses a similar capital growth in the previous year.)

5.9 In view of the forecast for falling interest rates the Director of Finance is reviewing opportunities for further diversification into strategic investments. A process is being put in place and the outcome of the review will be reported within the next appropriate Treasury Management report.

6. Non-Treasury Investments

6.1 The definition of investments in the Treasury Management Code now 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) and/or for commercial purposes (made primarily for financial return).

6.2 A full list of the Council's non-treasury investments is presented at Appendix 2.

7. Impact of Treasury Performance on the Revenue Budget

7.1 The net revenue budget for treasury management is projected to be underspent (as reported to Overview and Scrutiny Board in November 2023) as a result of reduced external borrowing expectations and the rise in investment returns, as shown in table 6 below.

As at 30th September 2023	Budget 2023/24	Projected Outturn 2023/24	Variation
	£m	£m	£m
Investment Income	(1.3)	(2.9)	(1.6)
Interest Paid on Borrowing	12.2	11.8	(0.4)
Net Position (Interest)	**10.9**	**8.9**	**(2.0)**
Minimum Revenue Provision	7.6	7.6	(0.0)
Net Position (Other)	**7.6**	**7.6**	**(0.0)**
Net Position Overall	**18.5**	**16.5**	**(2.0)**

8. Compliance

8.1 The Chief Finance Officer reports that all treasury management activities undertaken during the period complied fully with the principles in the TM Code and the Council's approved Treasury Management Strategy. Compliance with specific limits is demonstrated in tables 7 and 8 below.

Table 7: Debt Limits

	2023/24 Maximum	**30.9.23 Actual**	**2023/24 Operational Boundary**	**2023/24 Authorised Limit**	**Complied?** Yes/No
Borrowing	£385m	£383m	£500m	£600m	Yes
PFI & Finance Leases	£15m	£15m	£20m	£20m	Yes
Total Debt	**£400m**	**£398m**	**£520m**	**£620m**	**Yes**

Table 8: Investment Limits

	Maximum in period	30.9.23 Actual	2023/24 Limit	Complied? Yes/No
Any single organisation, except the UK Government	£9m	£9m	£15m	Yes
UK Central Government	£30m	£30m	Unlimited	Yes
Money Market Funds	£20m	£10m	£60m	Yes

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

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.

	31.9.23 Actual	2023/24 Target	Complied?
Portfolio average credit rating (score)	AA- (4)	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.

	30.9.23 Actual	2023/24 Target	Complied?
Total cash available within one month	£19m	£10m	Yes

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk.

The Council's debt portfolio is virtually all at fixed rate and therefore has no exposure to fluctuations in interest rates. As such no specific limits are proposed on interest rate exposure but any new borrowing will be restricted to a maximum 30% of the total portfolio exposed to variable interest rate. No new borrowing has been undertaken during the first part of the year.

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 borrowing will be:

Refinancing rate risk indicator	30.9.23 Actual	Upper limit	Lower limit	Complied?
Under 12 months	3%	40%	0%	Yes
12 months and within 24 months	1%	40%	0%	Yes
24 months and within 5 years	4%	30%	0%	Yes
5 years and within 10 years	10%	40%	0%	Yes
10 years and within 20 years	17%	50%	0%	Yes
20 years and within 30 years	7%	60%	0%	Yes
30 years and within 40 years	39%	50%	0%	Yes
40 years and above	19%	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. An increase to the limit set within the Strategy 2023/24 was approved by Council in September 2023 and reflected in the table below:

	2023/24	2024/25	2025/26
Actual principal invested beyond year end	£15m	£5m	£5m
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied?	Yes	Yes	Yes

Appendix 1

Economic Commentary (provided by Arlingclose Ltd, October 2023)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Document is Restricted

TORBAY COUNCIL

Meeting: Audit Committee **Date:** 13th December 2023

Wards affected: All Wards in Torbay

Report Title: Collection of Council Tax and NNDR

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

Director Contact Details: Malcolm Coe, Director of Finance Malcolm.coe@torbay.gov.uk

1. Purpose of Report

1.1 This report is in response to concerns raised at the July 2023 audit committee meeting regarding the collection of Council Tax, Non-Domestic Rates and corporate debt.

2. Introduction

2.1 As the billing authority, Torbay Council are responsible for the processing, calculation and collection of both Council Tax and National Non-Domestic Rates (NNDR) on behalf of all major preceptors and town councils.

3. Background

3.1 National Non-Domestic Rates

In respect of NNDR, the preceptors are Torbay Council, Central Government and Devon and Somerset Fire & Rescue Service.

The number of hereditaments currently on the NNDR Listing for the Torbay area is 5,639, with a total rateable value of £98.7m, and the estimated total collection for 2023/24 is £27.2m. The in-year NNDR collection rate for 2022/23 was 95.0%, compared to the pre-pandemic level of 95.4% in 2019/20, and is continuing to improve.

The total NNDR arrears as at 31st March 2023 were

Up to 1 Year	1.5m
1 to 3 Years	1.1m
Over 3 Years	1.2m
Total	**3.8m**

In additional to our normal recovery process, we are proactively engaging with our contracted Enforcement Agents in order to recover as much of this debt as possible.

3.2 Council Tax

For Council tax, the preceptors are Torbay Council, Devon & Cornwall Police and Crime commissioner, Devon and Somerset Fire & Rescue Service and Brixham Town Council.

The number of properties currently on the Council Tax Listing for the Torbay area is 68,482 and the estimated total collection for 2023/24 is £99.8m. The in-year Council Tax collection rate for 2022/23 was 95.4%, compared to the pre-pandemic level of 95.7% in 2019/20.

The total Council Tax arrears as at 31st March 2023 were

Up to 1 Year	5.4m
1 to 3 Years	5.9m
Over 3 Years	4.1m
Total	**15.4m**

We continue to be proactive with pursuing current, and historic, debt whilst being sensitive to the financial and economic pressure that our residents are under.

We have recently created a PowerBI report that structures the total debt by account number in order to target efforts on the highest debt and are investigating the options around external support to clear high volumes of low value debt to allow the Corporate Debt team to focus on the more complex and higher value debt.

4. Progress

4.1 There has been an historic backlog of Council Tax processing work which was mainly brought about by the need to administer numerous COVID and Cost of Living government grants and schemes to individuals and businesses since 2020/21. Following the implementation of a specific work project to clear the backlog, including commissioning external support, the current processing time for Council Tax is now in the region of 8 weeks, down from a peak of 26 weeks.

4.2 Timely processing of Council Tax changes both provides a better service to our residents whilst also assisting with the collection of any subsequent debt due. To ensure that we maintain, and improve, on the current 8 weeks processing time, we are introducing a number of measures to improve efficiency and resident access to the service. These include:

- Moving to more front-end automation of data collection;
- Updating the website to ensure clear signposting of support available for residents;
- End to end process review to map out, and improve, the customer 'journey' and interactions across various council teams

4.3 There are planned improvements in terms of ensuring the capacity and expertise is at the right part of the resident's interaction with the Council. An example of this is to empower all Customer Support Advisors with sufficient training and knowledge to be able to answer a greater number of Council Tax enquiries at the first 'point of contact'. Currently, circa 41% of calls coming into the call centre are Council Tax related with the vast majority of such calls having to be deferred to the 'back office'. Our aim is to significantly reduce the volume of transactions going to the back office.

4.4. We have recently consulted on a proposed change to our Local Council Tax Support Scheme which will make it significantly easier for the public to understand and access the support they may be entitled to receive. This change will reduce the need for multiple in-year re-assessments and ensure that benefits due are processed in a much quicker and more efficient manner.

4.5 The Audit Committee's attention on this area was raised in response to an historic Internal Audit report within which there were a number of recommendations that had not been addressed by management. Along with the above mentioned improvements, significant progress has now been made in addressing the audit recommendations with a summary of progress evidenced as Appendix 1

Appendices

Appendix 1: DAP Debtors 2023-24 – Executive Summary

Internal Audit
Executive Summary

Debtors 2023/24 - Follow up Of the 2022/23 Audit Findings

Torbay Council

December 2023

devon audit partnership
Support, Assurance and Innovation

CUSTOMER SERVICE EXCELLENCE
CSE

CIR Risk Management AWARDS 2023 shortlisted

Official

1. Introduction and Background

The Council has two systems and teams for processing debtor and customer invoices. The first is the FIMS Sundry Debt module which is used to raise and collect debts across all areas of the Council except for council tax, NNDR and housing benefit overpayments. The Corporate Debt Team are responsible for the recovery of unpaid council tax, NNDR and housing benefit overpayments with invoices generated from the Open Revenues system. We reported an assurance opinion of 'Limited' in the 2022-23 Annual Report; this document provides a summary of the follow up work we have undertaken as part of the 2023-24 Internal Audit Plan.

2. Scope and Objectives

The audit is a focused follow up of the management actions agreed in the 2022-23 report in order to assess progress made. We have not re-assessed the full Sundry Debtor and Corporate Debt processes. We are informed that that the current CRM project and current Customer Services project may have an impact on processes going forward which we will examine in 2024-25. In the interim, we are involved in both projects in order provide live support and challenge.

3. Executive Summary

It is pleasing to note that recommendations previously made are now being addressed through the Customer Services Project, which is led by the Section 151 Officer, supported by a project manager from the Business Improvement and Change Team. Despite the relatively recent commencement of the project, some recommendations have already been addressed and project plans are in place to ensure the remaining ones are addressed by April 2024.

Whilst we are not yet able to revise our assurance opinion from 'Limited Assurance', 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.

4. Findings

We reported to Members in 2022-23 that there were issues regarding lack of separation of duties, with credit notes, monitoring performance of external debt collectors, reviewing accounts where recovery had been suppressed and in relation to write-offs, and the adherence to Financial Regulations.

It is pleasing to note that there is now a FIMS wide project to examine access rights and related separation of duties; we understand that in the interim access to amend, insert and copy, invoices and credit notes, has been removed from the FIMS System Administrators. In relation to credit note process improvements, this is now part of the workplan for completion by April 2024. With regard to external debt collection agencies, performance monitoring processes are being established. A new process is now in place whereby suppressed accounts are reviewed monthly. Furthermore, the Section 151 Officer now signs off the account write offs in compliance with Financial Regulations.

5. Inherent Limitations

The opinions and recommendations contained within this executive summary are based on our evaluation of information provided, the examination of restricted samples of transactions / records and our discussions with officers responsible for the management actions followed up as part of the audit.

6. Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this follow up work.

Tony Rose
Head of Partnership

Devon Audit Partnership

Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge, Mid-Devon, South Hams & West Devon, and North Devon councils and Devon & Somerset Fire & Rescue. We aim to be recognised as a high-quality public-sector assurance service provider.

We work with our partners by providing professional internal audit and 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 (PSIAS) along with other best practice and professional standards.

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.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

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.

TORBAY COUNCIL

Meeting: Audit Committee **Date:** 13th December 2023

Wards Affected: None

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 Tyerman, Cabinet Member for Finance and Corporate Services, alan.tyerman@torbay.gov.uk

Supporting Officer Contact Details: Eve Bates, Performance & Risk Manager, eve.bates@torbay.gov.uk

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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 2nd of 3 risk reports that will be presented to Audit Committee during 2023/24.

1.2 The council has made very good progress in embedding its new risk management processes and implementing the actions as detailed in the Risk Management Improvement Plan. The plan was put together in conjunction with the Devon Audit Partnership Manager, Tony Rose.

1.3 Staff use the SPAR.net software to record, update and review the council's strategic, corporate and service risks. Programme and contract risks are held on separate registers.

1.4 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.

1.5 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, with Audit Committee focusing on overall processes and effectiveness of the council's risk management.

2. Risk Overview

2.1 The council currently has eight Strategic Risks and 59 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, four have ***mitigated*** scores of 16 and above.

2.3 36 of the 59 Corporate Risks have ***unmitigated*** scores of 16 or above. 14 of these remain as having ***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 the risk will 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 29 November 2023

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

Risk Matrix - Mitigated Corporate Risks as at 30 November 2023

	1 - Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost certain
5 - Critical	0	4	11	8	0
4 - Major	0	4	9	5	1
3 - Moderate	1	2	9	3	0
2 - Minor	1	0	1	0	0
1 - Insignificant	0	0	0	0	0

Strategic Risks (mitigated 16 or above)

Code	Risk Title	Last Mitigated Score
ST01	Adult Services Delivery	20
ST02	Mitigating the local effects of climate change	20
ST03	Failure to have good economic growth that allows us to address the needs of the most vulnerable.	20
ST05	Failure to supply sufficient housing for Torbay's needs	20

Corporate Risks (mitigated 16 or above)

Code	Risk Title	Last Mitigated Score
CP47	Effective delivery of Economic Growth Strategy	16
CP06	Failure for our wholly owned companies to comply with H&S legislation.	16
CP05	Failure to comply with Health and Safety legislation	16
CP52	Failure to effectively maintain the council's assets & estate	16
CP32	Increased homelessness and insufficient temporary accommodation	16
CP14	Delivery of SEND	20
CP18	Demand on services outstrips resource and budget	20
CP46	Effective Housing delivery	20
CP45	Failure to effectively and efficiently deliver the Capital Programme	20
CP56	Failure to meet Care Act 2014 section give (one)	20
CP50	Failure to meet Development Management national and local performance targets	20
CP15	Failure to stabilise the budget for the Higher Needs block	20
CP17	Placement sufficiency	20
CP19	Recruitment and retention Of Social Workers	20

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 framework.

4. Emerging Risks

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). Since the last report, the below emerging risks have been highlighted and risk forms completed. These risks will shortly appear on the council's corporate risk register.

- Use of Artificial Intelligence
- Safe transfer of Torbay Economic Development Company (TEDC), a wholly owned company, to the council

5. Wholly Owned Companies Risk Registers

5.1 As part of the Audit Committee induction session, it was agreed by the Section 151 Officer that members would be updated on the risk position of our wholly owned companies once a year at the November meeting. The council has four wholly owned companies: SWISCo, Torbay Economic Development Company, TorVista and Torbay Education Company.

5.2 Included as Appendix C is SWISCo's complete strategic and corporate risk register. The company has two strategic risks and 17 corporate risks. Appendix D provides the details that relate to the three risks that are currently scoring 16 and above.

Strategic Risk (mitigated 16 or above)

Code	Risk Title	Last Mitigated Score
ST91	Failure to comply with current legislation in the delivery of our services	25

Corporate Risks (mitigated 16 or above)

Code	Risk Title	Last Mitigated Score
CP104	Failure to comply with Occupational Health & Safety Legislation and Guidance	25
CP101	Health and wellbeing of staff	16

5.3 Since the last Audit Committee meeting, a decision has been taken to dissolve the Torbay Economic Development Company and transfer the functions of the Company to the Council. The Council is due to consider a report on the future of TorVista Homes at the meeting of the Council scheduled to be held in December 2023. To support the decision in respect of the Torbay Economic Development Company a risk form has been drafted and is attached as Appendix E.

5.4 The council is currently reviewing its position in relation to Torbay Education Company. Pending the review, an update will be provided at the next Audit Committee.

6. Changes To The Risk Probability and Impact Guide

6.1 Following a risk identification workshop with SWISCo, it was noted that there would be benefit in modifying the financial section of the Risk Probability and Impact Guide. The revised version is attached as Appendix F.

6.2 The Performance and Risk Manager has worked with the Section 151 Officer on including a percentage option in addition to the financial figure when scoring a risk three, four or five. This change will ensure that scores applied on a financial basis are proportionate when considering a council or a wholly owned company's financial risk position.

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5. Recommendation(s) / Proposed Decision

(i) That Audit Committee note the report and comment on any concerns relating to the risks in Appendix A, B, C and D.

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)
Appendix C: SWISCo's Strategic and Corporate Risk Registers
Appendix D: SWISCo's Strategic and Corporate Risks Report (risks scoring 16 and above)
Appendix E: Risk form - Safe transfer of Torbay Economic Development Company, a wholly owned company to the council
Appendix F: Updated - Risk Probability and Impact Guide

Background Documents

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

Audit Committee - Strategic Risks Detailed Report (16 and above) Appendix A
(as at 28/11/2023)

Risk Code: ST01	Adult Services Delivery	Accountable Officer : Jo Williams
Unmitigated Score: High (20)	**Description:** The S75 strategic agreement between Torbay Council and Torbay and South Devon NHS Foundation Trust for Integrated Adult Social Care (ASC), means that the NHS pays any financial risk above the fixed fee. NHS colleagues are reporting an overspend and a projected gap for 2023-24, minus any further one-off grant funds. There is a 12 months' notice period to return all activity and spend to the council and a risk that the NHS may choose to serve that notice.	Risk Completion Officer : Jo Williams
Mitigated Current Score: High (20)		Last Review Date : 28/11/2023
Direction of Travel: —		Identification Date: 30/04/2023

Mitigation status:	Mitigation:
Action completed	Effective budgetary control
Action ongoing	Long term sustainability plan
Action completed	Management of demand
Action completed	Oversight – Members
Action completed	Oversight – Officers
Action not due to start	Review of Adult Social Care pathway to manage demand
Action completed	Understanding of need

Latest Note:
Risk remains the same, although the external delivery partner has highlighted the potential of significant savings - this has yet to be agreed.

Risk Code: ST02	Mitigating the local effects of Climate Change	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	**Description:** Scientific evidence of rising temperatures, storm events and sea level rise.	Risk Completion Officer : David Edmondson
Mitigated Current Score: High (20)		Last Review Date : 28/11/2023
Direction of Travel: —		Identification Date: 30/04/2023

Mitigation status:	Mitigation:
Action ongoing	Carbon Neutral Council policies and strategies
Action ongoing	Carbon neutrality in key strategies
Action ongoing	Decrease carbon impact of council services
Action ongoing	Deliver Council climate change fund
Action ongoing	Deliver the two solar farms
Action ongoing	Electric charging points
Action completed	Facilitate the Torbay Climate Partnership
Action ongoing	Flood defences
Action ongoing	Increase waste recycling
Action ongoing	Local Plan Policies
Action ongoing	Support residents to take actions – double glazing / boilers

Latest Note:
Torbay Council & Torbay wide work will now be given greater impetus. There is concern over whether we will get chance to amend climate change matters in the Local Plan refresh, but there is continued positive work with partners on climate mitigation works. The new Greener Way for the Bay consultation launches 29th November.

Risk Code: ST03	**Failure to have good economic growth that allows us to address the needs of the most vulnerable.**	**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 (20)		**Last Review Date :** 30/10/2023
Direction of Travel:		**Identification Date:** 30/04/2023

Mitigation status:	Mitigation:
Action ongoing	Deepen relationship with partner organisations
Action ongoing	Deliver more affordable homes SPD
Action ongoing	Deliver the town centre regeneration programmes
Action ongoing	Develop & deliver an appropriate Economic Growth Strategy
Action ongoing	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 ongoing	Review and update Local Plan
Action ongoing	Secure additional investment
Action needed	Social Value Principles
Action ongoing	Support the continued development of the hi tech sector in Torbay
Action needed	Supporting people with disabilities and LTC into work

Latest Note:
Following the announcements of Torbay's selection as focus for direct Government funding, and connections into Government departments, Torbay is poised to undergo a transformational period of investment. There is an ambitious programme intended to improve the economic position of Torbay and its residents and to improve the experience of living, working and investing in Torbay. Development and investment partners have been selected. The projects will provide a wide range of employment opportunties during both construction and operational phases and provide social value to the communities of Torbay. The benefits of these developments will be delivered in the medium to longer term. Work continues to deliver the UK Shared Prosperity Fund (UKSPF) programme and ensure the benefits are maximised for Torbay. Promotion of the Torbay Story and Torbay as a centre for high tech innovation continues to see business growth and inward investment, and increased collaboration with regional and national partners.
Work to create a robust strategic business voice for Torbay has progressed, with Place Leadership Board Round Tables commencing winter 2023.

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 :** 28/11/2023
Direction of Travel: —		**Identification Date:** 30/04/2023

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 needed	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 completed	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 ongoing	Review structure
Action ongoing	Unlock stalled sites

Latest Note:
Work is ongoing on the next stages for the Local Plan & Housing figures. A workshop is planned in January on development land for Housing with Partners. The new Head of Strategic Housing & Delivery has started.

Agenda Item 9
Appendix 2

Risk Code: CP05	Failure to comply with Health & Safety legislation	Accountable Officer : Matt Fairclough-Kay
Unmitigated Score: High (16)	Description:	Risk Completion Officer : Dave Walker
Mitigated Current Score: High (16)	Health and Safety is a legislative requirement that is enforced by the Health and Safety Executive (HSE). The HSE intervenes when the organisation is found to be in failing in its management of health and safety (in contravention HSG 65).Routine and periodic inspections of systems are required on ASSURE (the council's health and safety software management system). Likewise, incidents are required to be reported and investigated in accordance with the council's policies and procedures.	Last Review Date : 29/11/2023
Direction of Travel: ▲		Identification Date: 23/11/2022
Mitigation status:	**Mitigation:**	
Action completed	Adequate Health and Safety resources available	
Action ongoing	Auditing	
Action completed	Development and maintenance of ASSURE health and safety system	
Action completed	Ensure staff are aware of health and safety policies and procedures.	
Action completed	External Liaison	
Action completed	Health and Safety Communication	
Action completed	Health and Safety Training	
Action completed	Policies and procedures in place	
Action needed	Risk assessments	
Action needed	Tor Park Site	
Action needed	Up take of Health and Safety training	

Latest Note:
Training and Risk Assessment vulnerabilities identified and highlighted at Director level.

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:	Risk Completion Officer : Dave Walker
Mitigated Current Score: High (16)	There continues to be risk of Health and Safety incidents within our wholly owned companies that undertake high risk activity.	Last Review Date : 28/11/2023
Direction of Travel: ▲		Identification Date: 30/03/2023
Mitigation status:	**Mitigation:**	
Action completed	Adequate Health and Safety resources available	
Action ongoing	Auditing of Assets/Sites	
Action ongoing	Communication	
Action ongoing	Ensure staff are aware of health and safety policies and procedures	
Action ongoing	External Liaison	
Action ongoing	H&S Training	
Action ongoing	Health & Safety Management Auditing	
Action completed	Policies and procures in place	
Action completed	Reporting of H&S	

Latest Note:
This risk has been updated due to the issues over Environmental and Health and Safety Compliance at the Tor Park site. This includes the yard surface and fire suppression system run off. These non compliance issues may result in formal action from the respective enforcement bodies.

Risk Code: CP14	Delivery of SEND	Accountable Officer : Nancy Meehan
Unmitigated Score: Very High (25)	Description:	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: High (20)	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.	Last Review Date : 08/11/2023
Direction of Travel: —		Identification Date: 30/03/2023
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). Although we are meeting targets it should be noted that we have pressures from September unless we reduce RSA.

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 financial 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 :** 08/11/2023
Direction of Travel: —		**Identification Date:** 30/03/2023

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. The first submission of progress to meet the T&C was 16th June 2023. Feedback was received from the DFE on 24th July to confirm that the next installment for the SV programme payment will be made. The next monitoring report requires detail on the financial impact of identified risks and information on requests for statutory assessment, appeals and funding gap health. The second submission of progress was submitted on 15th September 2023. Feedback will be received from the DFE in due course. The financial position remains on track however there are significant pressures and risks as the demand for EHCP is not reducing.

Risk Code: CP17	Placement sufficiency	Accountable Officer : Nancy Meehan
Unmitigated Score: Very High (25)	**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. 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 descriptionThe 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.	**Risk Completion Officer :** Lisa Chittenden
Mitigated Current Score: High (20)		**Last Review Date :** 06/11/2023
Direction of Travel: —		**Identification Date:** 30/03/2023

Mitigation status:	Mitigation:
Action ongoing	Edge of care
Action ongoing	Enhanced placement planning
Action ongoing	Former Foster Carer SGO scoping
Action completed	Fostering Recruitment
Action ongoing	Parent and Child Placement
Action ongoing	Resilience carers
Action ongoing	Reunification scoping
Action ongoing	Training

Latest Note:
We have taken a service risk and placed it within the corporate statement in relation to parent and child placements. The service actively reviews the sufficiency of placements on a weekly basis.

Risk Code: CP18	Demand on services outstrips resource and budget	Accountable Officer : Nancy Meehan
Unmitigated Score: High (20)	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	Risk Completion Officer : Lisa Chittenden
Mitigated Current Score: High (20)		Last Review Date : 06/11/2023
Direction of Travel: —		Identification Date: 30/03/2023

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 monitoring closely.

Risk Code: CP19	Recruitment and retention Of Social Workers	Accountable Officer : Nancy Meehan
Unmitigated Score: High (16)	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 : 06/11/2023
Direction of Travel: —		Identification Date: 30/03/2023

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:
Workers will require the support of 0.5 SWK additional capacity. We are hopeful that this will start to reduce our vacancy rate. There is a continued national challenge in the recruitment and retention of social workers - as such the activity listed in the mitigating actions will continue and will be reviewed regularly.

Risk Code: CP32	Increased homelessness and insufficient temporary accommodation	Accountable Officer : Tara Harris
Unmitigated Score: High (16)	**Description:** It is a statutory responsibility to prevent and provide assistance to people threatened with or actually homeless. There has been an 64% increase in people presenting to the local authority and a 66% increase since 2020 in those being provided in temporary accommodation. There is also a changing dynamic to those seeking assistance, with an increase in number of families approaching the service. The level of complexity is also increasing, impacting on the ability to seek accommodation and support clients appropriately. The type and volume of temporary accommodation to meet our statutory responsibility has therefore become more challenging. The use of 'spot purchased' accommodation is also becoming more costly due to changing housing market and general supply and demand, as other areas face similar challenges.	Risk Completion Officer : Lianne Hancock
Mitigated Current Score: High (16)		Last Review Date : 09/11/2023
Direction of Travel:		Identification Date: 03/04/2023

Mitigation status:	Mitigation:
Action needed	Homeless and Rough Sleeping Strategy
Action needed	Housing Strategy
Action needed	Identification and facilitation of move on accommodation (business case)
Action ongoing	Identification and facilitation of move on accommodation (grant funding)
Action needed	Identification and facilitation of move on accommodation (PRS)
Action needed	Increase in financial assistance
Action ongoing	Performance data (finance)
Action needed	Performance data (LOCATA)
Action needed	Performance data (staffing)
Action needed	Prevention Activity (Children's Services)
Action needed	Prevention Activity (duty to refer)
Action ongoing	Prevention Activity (housing assistance with partners)
Action ongoing	Prevention Activity (restructure)
Action ongoing	Prevention Activity (sustainment of accommodation)
Action ongoing	Recruitment and retention (recruitment)
Action ongoing	Recruitment and retention (stability)
Action ongoing	Recruitment and retention (welfare)
Action ongoing	Sufficiency of temporary accommodation (domestic abuse
Action needed	Sufficiency of temporary accommodation (partners)
Action ongoing	Sufficiency of temporary accommodation (purchase)
Action ongoing	Sufficiency of temporary accommodation (staffing)
Action ongoing	Sufficiency of temporary accommodation for more complex clients (hostel)
Action needed	Sufficiency of temporary accommodation for more complex clients (rough sleeping)

Latest Note:
The risk has remained the same due to the mitigation action taken, without this action the risk would be increasing.
The risk of increased homelessness is still significant. The levels of complexity, particularly around addiction and mental health are hard to recover from and present an on-going challenge to proactive prevention and relief work.
Private rented accommodation continues to be lost from the market as landlords sell due to financial strain and/or concern over renters reform. Local law firms are actively encouraging landlords to evict their tenants.
Lack of affordable housing nationally has prompted a collective letter from local authorities to central government asking for LHA rates to be uplifted and a commitment to annual reviews.

Risk Code: CP45	Failure to effectively and efficiently deliver the Capital Programme	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	**Description:** The Council has a complex and ambitious capital programme which includes capital projects intended to provide benefits for the Council and community across the breadth of the Community and Corporate Plan. Since the Covid pandemic beginning in 2020 delivery of the programme has become more challenging with other externalities increasing the cost of delivery.	Risk Completion Officer : Alan Denby
Mitigated Current Score: High (20)		Last Review Date : 31/10/2023
Direction of Travel:		Identification Date: 21/06/2023

Mitigation status:	Mitigation:
Action ongoing	Develop the position of Torbay within the Devon Deal and deepen the relationship with Government and
Action ongoing	Identification of appropriate project delivery routes
Action ongoing	Review of the capital programme
Action ongoing	Review of the Council's procurement strategy to ensure it is fit for purpose
Action ongoing	Review the Council's programme and project management methodology.

Latest Note:
It is anticipated that the November review will see a reduction in the probability score, assuming that Heads of Terms are agreed in month for the regeneration partner.

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 : 28/11/2023
Direction of Travel:		Identification Date: 21/06/2023

Mitigation status:	Mitigation:
Action needed	Confirmation of the Council's role in housing delivery.
Action ongoing	Delivery of the Housing strategy action plan
Action ongoing	Delivery of the Planning Service for the Future project
Action ongoing	Delivery of the Town Centre regeneration programme
Action ongoing	Development of the Strategic Housing Board

Latest Note:
The Head of Strategic Housing Strategy & Delivery has started and this post and additional resource from TDA next year, will greatly assist. Actions are continuing on the Housing Strategy and the Planning Service Fit for the Future project. The future of Torvista decision, seems imminent.

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 : 30/10/2023
Direction of Travel:		Identification Date: 22/06/2023
Mitigation status:	Mitigation:	
Action needed	Budget & Prioritisation	
Action ongoing	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 ongoing	Secure medium term supply of employment land	

Latest Note:
Work continues to align delivery with the priorities within the Economic Growth Strategy. A programme of UK Shared Prosperity Fund (UKSPF) funded projects is underway, with successful collaboration between projects to maximise the benefits of the projects. The Aftercare (Key Account Management) programme that directly supports businesses that have invested in Torbay to grow and increase employment opportunities has recommenced. Work to create a Devon based Innovation Zone with a connected and supported ecosystem is underway with partner science parks, education providers and the Plymouth Freeport. Work to create a robust strategic business voice for Torbay has progressed, with Place Leadership Board Round Tables commencing winter 2023.

Risk Code: CP50	Failure to meet Development Management national and local performance targets	Accountable Officer : Alan Denby
Unmitigated Score: High (20)	Description: Local Planning Authorities are set targets around speed of determination of planning applications and appeal outcomes. Authorities are monitored for their performance and can be placed in Special Measures if nationally set targets are not met, particularly around major applications and appeals. Responding to public interest, the council has set a series of new local targets for more applications to be determined within the statutory timescales, without the need to use extensions of time.	Risk Completion Officer : David Edmondson
Mitigated Current Score: High (20)		Last Review Date : 28/11/2023
Direction of Travel:		Identification Date: 16/08/2023
Mitigation status:	Mitigation:	
Action ongoing	Address slow, low productivity, poor output officers.	
Action completed	Adopt an amended plans protocol, preventing delays in applications.	
Action ongoing	Appeals monitoring and ensuring refusal decision is sound.	
Action ongoing	Continue to work closely with planning agents and architects to improve the quality of submissions	
Action ongoing	Ensure the performance culture remains embedded in the Development Management Service.	
Action ongoing	Improve upon the pre-application process and numbers using this service	
Action ongoing	Reduce the number of applications subject to the extension of time process.	
Action completed	Revise and update the Local Validation Checklist, ensure more applications valid upon receipt.	

Latest Note:
Excellent positive changes have been made since the Development Management Head of service post was filled. New processes and procedures. Individual performance improvement meetings. Revised Validation Checklist on-line. A new pre-application processes is to be launched shortly in conjunction with the National Planning Fees increase.

Risk Code: CP52	Failure to effectively maintain the council's assets & estate	Accountable Officer : Alan Denby
Unmitigated Score: High (16)	Description: The Council has had to reduce the amount of funding made available for repair and maintenance of its estate across all groups of assets. The Council's asset management policy seeks to maintain and manage assets in line with corporate priorities 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 : Lisa Tuck
Mitigated Current Score: High (16)		Last Review Date : 30/10/2023
Direction of Travel:		Identification Date: 24/08/2023
Mitigation status:	Mitigation:	
Action needed	Active management of the Council estate	
Action needed	Ensure condition surveys are planned, reviewed and carried out	
Action needed	Ensure effective data systems and management information is in place	
Action needed	Ensure that required surveys i.e. fire risk assessments are being carried out as scheduled.	
Action needed	Ensure that there is effective corporate control of the estate	
Action needed	Review Asset Management Strategy	
Action needed	Review of allocated corporate budget	

Latest Note:
A programme of Fire Risk and Asbestos assessments have been completed in Q1 and 2 of 2023 bringing the programme back in line with targets. Work has begun on the review of the Asset Management Strategy programme and budget with expected completion November 2023. Action is needed across all mitigation measures.

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	Risk Completion Officer : Adam Russell
Mitigated Current Score: High (20)		Last Review Date : 01/11/2023
Direction of Travel:		Identification Date: 24/08/2023
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 actions are ongoing and there is no discernible change to the risk probability or impact score at this time.

SWISCo Risk Registers (as at 28/11/2023)

Category	Code	Risk Title	Accountable Officer	Risk Completion Officer	Unmitigated Score	Current Mitigated Score	Last Review	Direction of Travel
Strategic Risk	ST90	SWISCo - Failing to deliver the commitments agreed in the business plan and SLA agreements	Matt Reeks	Matt Reeks	20	15	22/11/2023	▼
	ST91	SWISCo - Failure to comply with current legislation in the delivery of our services	Matt Reeks	Matt Reeks	25	25	22/11/2023	▬

Total Strategic Risks = 2

Category	Code	Risk Title	Accountable Officer	Risk Completion Officer	Unmitigated Score	Current Mitigated Score	Last Review	Direction of Travel
Corporate Risk	CP103	High levels of customer dissatisfaction with SWISCo services	Matt Reeks	Adrian Wilkey	9	9	22/11/2023	▬
	CP105	Failure to capture and have reliable data will negatively impact SWISCo's service performance	Matt Reeks	John Greaves	12	4	22/11/2023	▼
	CP111	Waste management facilities insufficient to meet current demand and anticipated growth.	Matt Reeks	John Greaves	25	12	22/11/2023	▼
	CP101	Health and wellbeing of staff	Matt Reeks	Kim Smith	20	16	22/11/2023	▼
	CP107	Recruitment and Retention	Matt Reeks	Kim Smith	16	9	22/11/2023	▼
	CP109	Failure to have suitable capacity in place to allow for commercial growth	Matt Reeks	Matt Reeks	15	12	22/11/2023	▼
	CP114	Lack of SWISCo engagement when the council considers how Section 106 / CIL money is spent	Matt Reeks	Neil Coish	9	9	22/11/2023	▬
	CP106	Cost of service delivery outstrips available resources and budget	Matt Reeks	Paul Luscombe	16	6	22/11/2023	▼
	CP110	Failure of commissioning agreement to recognise impact of financial pressures beyond SWISCo control	Matt Reeks	Paul Luscombe	16	8	22/11/2023	▼
	CP108	Failure of Torbay Council's mandatory policies and procedures not meeting SWISCo's needs.	Matt Reeks	Paul Luscombe	16	8	22/11/2023	▼
	CP116	Failure to have access to long term funding for asset replacement	Matt Reeks	Paul Luscombe	20	10	22/11/2023	▼
	CP112	Lack of resources for extra requirements relating to development and growth	Matt Reeks	Paul Luscombe	12	6	22/11/2023	▼
	CP115	Operator's Licence ('O' Licence') sanctions	Matt Reeks	Paul Luscombe	15	5	22/11/2023	▼
	CP102	Reputation of SWISCo / effective communication	Matt Reeks	Paul Luscombe	16	9	22/11/2023	▼
	CP104	Failure to comply with Occupational Health & Safety Legislation and Guidance	Matt Reeks	Paul Reynolds	20	25	22/11/2023	▲
	CP117	Loss of Tor Park Road waste transfer and management facility due to fire	Matt Reeks	Paul Reynolds	25	15	22/11/2023	▼
	CP113	Failure to properly manage volunteer Friends Groups	Neil Coish	Paul Luscombe	16	8	22/11/2023	▼

Total Corporate Risks = 17

Page 96

Agenda Item 9
Appendix 3

SWISCo Strategic and Corporate Risk Report (16 and above) (as at 30/11/2023)

Risk Code: ST91	SWISCo - Failure to comply with current legislation in the delivery of our services	Accountable Officer : Matt Reeks
Unmitigated Score: Very High (25)	Description: The operations and activities delivered by SWISCo are governed by various legislative and regulatory requirements. These include: • Health and Safety at Work Act • Environmental Protection Act • Employers' Responsibilities • Equality Act • Financial Regulations • Waste Collection and Disposal Authority Responsibilities (section 45 EPA) • Highway Authority Responsibilities • Road Traffic Act. The nature of these services and the size of the workforce results in regular review and inspection by the governing agencies. Some inspections in the past have resulted in needed improvements and the council to make further investment into SWISCo's so it can change its working practices. Since the formation of SWISCo in 2020, the company has received a number of improvement notices which it has acted upon, therefore it has never been prosecuted or fined for any breaches against regulations or legislation.	Risk Completion Officer : Matt Reeks
Mitigated Current Score: Very High (25)		Last Review Date : 22/11/2023
Direction of Travel:		Identification Date: 07/06/2023
Mitigation status:	**Mitigation:**	
Action ongoing	Audit and Review	
Action ongoing	Board & Shareholder Awareness	
Action ongoing	Contingency funding for unplanned Council investment.	
Action needed	Contingency funding for unplanned SWISCo investments	
Action ongoing	External Networking / horizon scanning	
Action ongoing	Internal and external notification(s)	
Action ongoing	Management Systems (Internal controls)	
Action ongoing	Staff training and awareness	
Action ongoing	Unique requirements	
Action ongoing	Workforce culture	

Latest Note:
There are ongoing discussions with the Board to address issues in relation to the occupational health surveillance programme and preventative works at the transfer station.

Risk Code: CP101	Health and wellbeing of staff	Accountable Officer : Matt Reeks
Unmitigated Score: High (20)	Description: Prior to December 2022, SWISCo staff were not on a recognised pay and grading structure, which resulted in a lack of commitment and poor staff morale. A shortage of staff led to an increased use of overtime which ultimately affected life/work balance and made some staff vulnerable to illness. A large percentage of staff were also only entitled to Statutory Sick Pay, resulting in some staff attending work when they were not well enough to do so, thereby spreading illness such as Cold/Flu/COVID to other colleagues. As the majority of SWISCo services are front facing, maintaining a healthy and reliable workforce is a priority. In 2022/23, the largest sickness category within SWISCo is musculoskeletal. In total, 4,256 days were recorded as sickness which equates to approximately 12 days per FTE. In 2022/23 the top 6 reasons for sickness absence were 1. Musculoskeletal 2. Stress/anxiety/depression/mental health 3. Hospital/Surgery 4. Cold/Flu 5. Cancer treatment 6. Stomach A staff wellbeing survey highlighted concerns relating to • Poor pay • Lack of available resource, resulting in a requirement for overtime • Difficulty in taking annual leave • Vulnerability to illness • Lack of motivation/engagement. Some actions have taken place to address the above. It is hoped that these may prevent staff from needing to take sick absence in the future • Improved staff facilities • Pay has increased • Improved sickness terms and conditions • Wellbeing initiatives introduced.	Risk Completion Officer : Kim Smith
Mitigated Current Score: High (16)		Last Review Date : 22/11/2023
Direction of Travel:		Identification Date: 13/11/2023
Mitigation status:	**Mitigation:**	
Action ongoing	Absence management	
Action needed	Absence performance reporting	
Action ongoing	Access to the local authority EAP, Occupational Health and other services and support	
Action needed	Health surveillance programme	
Action ongoing	Line Management training	
Action ongoing	Review staff terms and conditions	
Action ongoing	SWISCo Wellbeing policies and processes	
Action ongoing	Tool box Talks & training	
Action ongoing	Wellbeing checks	

Latest Note:
Our current software does not hold details on our agency staff. Consequently, the automated reports linked to this system do not give a true picture of our workforce information. Discussions are taking place with the appropriate council staff to rectify this. There are ongoing discussions with the Board to address issues in relation to the occupational health surveillance programme.

Risk Code: CP104	Failure to comply with Occupational Health & Safety Legislation and Guidance	Accountable Officer : Matt Reeks
Unmitigated Score: High (20)	**Description:** Occupational Health and Safety law and regulations place several statutory duties on employers within the UK. These duties are regulated by; the Health and Safety Executive (HSE), Local Authorities and the Fire and Rescue Service etc. These regulators may intervene when the organisation is found to be failing in its duty to manage health and safety risks (e.g. in material breach of The Management of Health and Safety at Work regulations 1999). Routine and regular audits / reviews take place on SWISCo's management system Evotix (SWISCo's and the council's occupational health and safety software record and management system). Incidents are required to be reported and investigated in accordance with SWISCo's own policies and procedures.	**Risk Completion Officer :** Paul Reynolds
Mitigated Current Score: Very High (25)		**Last Review Date :** 22/11/2023
Direction of Travel: ▲		**Identification Date:** 13/11/2023

Mitigation status:	Mitigation:
Action ongoing	Adequate Occupational Health and Safety (OH&S) resources available
Action ongoing	Auditing
Action ongoing	Corporate Risk assessments
Action ongoing	Development and maintenance of Evotix occupational health and safety system
Action ongoing	Ensure staff are aware of health and safety policies and procedures.
Action ongoing	External Liaison
Action ongoing	Health & Safety Reporting
Action ongoing	Health and Safety Communication
Action ongoing	Health and Safety Training (All Staff)
Action ongoing	Health and Safety Training (Managers)
Action ongoing	Occupational Health Surveillance Contract
Action ongoing	Policies and procedures in place
Action ongoing	Positive OH&S Culture
Action ongoing	Service Area Risk Assessments
Action needed	Surveillance Programme

Latest Note:
There are some known issues with our processes in how we assess staff that use hand tools and plant equipment that generate vibration or have the potential to cause hearing loss. We are working with our external provider to rectify these concerns. In the meantime, action has been recommended to managers within SWISCo to limit any further harm being caused to any individuals currently reporting associated symptoms.

TORBAY COUNCIL

Risk Form			*Tick type of risk:* **Strategic** **Corporate** ✓ **Service**
Service Name	Corporate Services		**Date: 15/11/2023**
Risk Accountable Officer	Alan Denby	**Risk Completion Officer**	Stuart Loly
Title of Risk	Safe transfer of Torbay Economic Development Company (TEDC), a wholly owned company, back to the Council.		
Description *A summary in a few sentences providing the context, setting and background for the risk.*	The Council has various wholly owned companies, with associated subsidiaries, these include: • TEDC trading as Torbay Development Agency Group (TDA) • SWISCo • Torbay Education Company (TEC) Each of the wholly owned company's financial and performance position are monitored and reviewed through the governance processes and auditors on a regular basis. The reviews drive decisions on future operational delivery. Recent decisions have triggered projects to look at future delivery models for the above companies with the exception of SWISCo, for which there are no plans to change the delivery vehicle. A single project is looking at the TDA group, which includes TorVista. This project has already concluded that the TDA group will cease trading and most activities will be brought back in house. Plans are underway to action the changes from 1 April 24. The Torbay Education Company project is still looking at delivery options with an assumption that any change will take 12 months to implement. Once the intent is known this project will raise an appropriate risk, which is expected to sit at service level due to the scale of the operation.		
Risk Cause *What are the causes of the risk?*	Wholly owned companies are only transferred back to the council when the best value requirements are in question or there are significant concerns over the governance arrangements. In any transfer, the Council must take necessary steps to ensure that both legislative and other legal requirements are met. Likewise, consideration is required of the many administrative and operational aspects relating to a transfer to ensure a smooth transition and minimal disruption to service delivery. Failure to properly address any of the above aspects will cause risk.		
Risk Event *What's the likely event if this occurs?*	Failure to properly prepare for any transfer will ultimately result in: • Loss of service delivery • Breach of legislation/law, which could result in financial impacts • Negative reputational impact • Impact on staff retention • Financial loss		
Risk Impact What would be the impact on our business objectives if the risk occurs?	This risk is likely to trigger a multitude of risks on the council's strategic and corporate registers with specific reference to staff retention, financial loss and public confidence and reputation.		

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Impact What would the impact be if the risk occurs	**Probability** of the risk occurring before you take any actions to reduce the risk
1=Insignificant 2=Minor 3=Moderate 4=Major 5=Critical	1=Rare 2=Unlikely 3=Possible 4=Likely 5=Almost Certain

Impact	Probability: Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
Critical (5)	5	10	15	20	25
Major (4)	4	8	12	16	20
Moderate (3)	3	6	9	12	15
Minor (2)	2	4	6	8	10
Insignificant (1)	1	2	3	4	5

Risk Score before taking action to reduce the risk, set the unmitigated risk score	**Unmitigated Impact (1-5)**	**Unmitigated Probability (1-5)**	**Unmitigated Score**
	5	4	20

Mitigations

These are the actions that reduce impact if the risk should occur or reduce the probability of it occurring

Mitigation Title *Short & descriptive*	**Mitigation Description** Details of the action written as a sentence	**Responsible Person**
Project Controls (Governance)	All activity to be managed within the Council's project control methodology to ensure actions/risks/opportunities/issues/decisions and assumptions are adequately managed and reported.	Alan Denby
Section 151 Officer oversight of financial implications of transfer	Financial review and forecasts to be undertaken as project progresses. External advice to be sought from SMEs where in house resource does not have adequate knowledge or impartiality.	Malcolm Coe
Resources identified to support the operational transfer (external and internal Corporate Services	Resource needs identified and transformation project established.	Matthew Fairclough-Kay
Legal requirements	Internal and external legal advice to be sought and actioned as required to ensure all legislative and or legal obligations are met.	Matthew Fairclough-Kay
Unions and TUPE	Regularly engage with Unions and staff representatives to ensure TUPE obligations are met.	Matthew Fairclough-Kay
Internal and external communications	Communicate with effected staff, all staff, service users and customers and stakeholders in accordance with an agreed project communication plan.	Matthew Fairclough-Kay
Business Continuity	Deliver operational requirements to effectively transfer activity into the Council without negative impact on service delivery.	Alan Denby
Staff Retention	Regular focused staff engagement to ensure change impacts are minimised through open and timely communication.	Matthew Fairclough-Kay

Current Risk Review Score If this risk is not new and exists already e.g., some or all of the mitigating actions are taking place, please set a current mitigated risk score	**Mitigated Impact (1-5)**	**Mitigated Probability (1-5)**	**Current Mitigated Score**
	5	3	15

TORBAY COUNCIL

Risk Impact Guide

	Operational Delivery Impacts	Strategic Direction Impacts	Council Financial Impacts	Legal Impacts	Governance Impacts	Reputation Impacts	Health Impacts	Security Impacts	Environmental Factors Impacts*	Deprivation Impacts**	Assets Impacts	Other Services / Organisations Impacts	Local Economy Impacts
1 Insignificant	Service delivery affected but not disrupted	Slight, temporary deviance from one area of strategic direction	Under £25,000	Low value claim / dispute	Individual internal control not effective	Insignificant adverse publicity	No detrimental impact on health of individuals	No notifiable or reportable incident	No negative impact on the natural environment and/or no increase in carbon emissions	No detrimental impact on deprivation	Low level loss or damage to asset; no effect on service or community provision	Service delivery by other services / organisation affected but not interrupted	Low level economic decline
2 Minor	Some disruption to specific service	Slight, temporary deviance from several areas of strategic direction	£25,000 - £100k	Possibility of Court action	More than one internal control not effective	Minor adverse publicity	Health issues will require treatment at community level	Localised incident. No effect on operations	Small or short term, localised impact on the natural environment and/or no increase in carbon emissions	Intervention required at community level	Short-term loss of asset not critical to service or community provision	Some interruption to specific services provided by other services / organisations	Significant economic decline affecting under 10% of businesses / increased business failure / across several of areas of Torbay
3 Moderate	Disruption to a number of service areas	Significant deviance from one area of strategic direction	£100k - £1m or more than 2% of total wholly owned company's budget	Likelihood Court action / tribunal	Loss of confidence in a number of internal controls requires Senior Officer intervention	Moderate adverse publicity	Health issues will require treatment in hospital	Localised incident. Significant effect on operations	Small or short term, area-wide impact on the natural environment and/or an increase in carbon emissions	Wider community intervention required	Long-term loss of asset not critical to service or community provision	Disruption to a number of service areas provided by other services / organisations	Significant economic decline affecting between 10% and 15% of businesses / increased business failure. rise in unemployment across Torbay
4 Major	Shutdown of specific service area / disruption to a number of service areas	Significant deviance from several areas of strategic direction	£1m - £10m or more than 5% of total wholly owned company's budget	Court action impeding delivery of council objective	Loss of confidence in council or external audit bodies / disciplinary of council officers / Elected Members	Sustained adverse publicity	Long-term or acute health issues	Significant incident involving multiple locations	Long term impact on the natural environment and/or a long term increase in carbon emissions	Long term acute issues	Short-term loss of asset critical to council income, service or community provision	Shutdown of specific service areas provided by other services / organisations	Significant economic decline in more than 15% of businesses / risk of business failure, disinvestment and relocation of businesses and a rise in unemployment across many areas of Torbay
5 Critical	Shutdown of a number of service areas	Strategic direction totally compromised unrecoverable	>£10m or more than 10% of total wholly owned company's budget	High profile Court action / tribunal	External body intervention required	Senior Officer or Elected Member disciplinary or resignation	Fatalities	Extreme incident seriously affecting continuity of operations	Extensive impact on the natural environment and/or a long term increase in carbon emissions.	Fatalities	Total long term loss of asset critical to council income, service or community provision	Shutdown of a number of service areas provided by other services / organisations	Economic decline multiple businesses failing, disinvestment and relocation, unemployment are significant across all of Torbay

* Impact on natural environment and carbon emissions by increasing energy, water and waste consumption / transport related emissions / climate vulnerability (vulnerability to current and future changes in climate i.e. heat, extreme weather, flooding) / flood risk / biodiversity and habitat loss / pollution (land, air or sea).

**Income, employment, education, skills and training, health and disability, crime, barriers to housing and services, living environment.

Agenda Item 9
Appendix 6

Risk Probability Guide

TORBAY COUNCIL

Score	Probability	Risk (not all need apply)
1	Rare	If it is rare and not likely to occur **and / or** Very unlikely this will ever happen e.g. once in 100 years
2	Unlikely	If it is unlikely to occur but may occur in exceptional circumstances **and / or** Not expected to happen but is possible e.g. once in 25 years
3	Possible	If it possible it will happen and could occur in certain circumstances **and / or** May happen occasionally e.g. once in every 5-10 years **and / or** Has happened elsewhere
4	Likely	If it is likely to occur and will probably occur in multiple circumstances **and / or** Will probably happen but not a persistent issue e.g. at least every 1-2 years **and / or** Has happened in the past
5	Almost Certain	If it is almost certain to happen and expected to occur in most circumstances **and / or** Will undoubtedly happen, possibly frequently **and / or** Imminent near miss

TORBAY COUNCIL

Meeting: Audit Committee **Date: 13 December 2023**

Wards Affected: All

Report Title: HR Investigations and Whistleblowing

Cabinet Member Contact Details: Councillor Alan Tyerman, Cabinet Member for Housing, Finance and Corporate Services, Alan.Tyerman@Torbay.gov.uk

Director/Assistant Director Contact Details: Matthew Fairclough-Kay, Director of Corporate Services, Matthew.Fairclough-Kay@Torbay.gov.uk

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1. Purpose of Report

1.1 The purpose of this report is to provide a high-level summary of the number of HR investigations and Whistleblowing investigations in the year 1st January 2023 to 30th November 2023.

1.2 Exempt Appendix 1, sets out such an overview.

2. Reason for Proposal and its benefits

2.1 To provide a greater level of detail to Audit Committee.

2.1 The proposals in this report help us to deliver this ambition by:

- *thriving people; ensuring that our employees can raise concerns in an environment where they feel safe to do so and that the organisation and employee's learns from concerns that have been raised, and therefore we have a workforce that thrive*
- *Council fit for the future; ensuring that the organisation is compliant with employment law and legislation, that we are a learning organisation with a good reputation as an employer where people wish to come and our employment practice supports the council in being fit for the future through our People plan and workforce planning activity..*
- *the Council's responsibilities as corporate parents; ensuing that all our employment practices underpin our responsibility as a corporate parent and that all of our employees understand their obligations in this regard, regardless of role.*

3. Recommendation(s) / Proposed Decision

(i) That Audit Committee note the contents of Exempt Appendix 1, and give consideration to any further information or action that they require.

Appendices

Appendix 1: Overview of HR Investigations and WB Investigations

Background Documents

None

Supporting Information

1. Introduction

1.1 For Audit Committee to consider the contents of appendix 1.

2. Options under consideration

2.1 To consider the contents of appendix 1.

3. Financial Opportunities and Implications

None.

4. Legal Implications

4.1 Failure to follow due process in respect of HR investigations and WB concerns could result in Employment claims for the Council.

5. Engagement and Consultation

5.1 None required for the purpose of this report.

6. Purchasing or Hiring of Goods and/or Services

6.1 N/A

7. Tackling Climate Change

7.1 N/A

8**. Associated Risks**

8.1 N/A

Equality Impacts N/A

9.	**Identify the potential positive and negative impacts on specific groups**		
	Positive Impact	**Negative Impact & Mitigating Actions**	**Neutral Impact**
Older or younger people			✓
People with caring Responsibilities			✓
People with a disability			✓
Women or men			✓
People who are black or from a minority ethnic background (BME) *(Please note Gypsies / Roma are within this community)*			✓
Religion or belief (including lack of belief)			✓
People who are lesbian, gay or bisexual			✓
People who are transgendered			✓
People who are in a marriage or civil partnership			✓
Women who are pregnant / on maternity leave			✓

	Socio-economic impacts (Including impact on child poverty issues and deprivation)			✓
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			✓
10..	**Cumulative Council Impact** (proposed changes elsewhere which might worsen the impacts identified above)	N/A		
11.	**Cumulative Community Impacts** (proposed changes within the wider community (inc the public sector) which might worsen the impacts identified above)	N/A		

Document is Restricted