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Governance, Risk and Audit Committee

NORTH NORFOLK DISTRICT COUNCIL

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22 May 2025

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber - Council Offices** on **Tuesday, 3 June 2025** at **2.00 pm**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: democraticservices@north-norfolk.gov.uk.

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed. This meeting is live-streamed: NNDC eDemocracy - YouTube

Please note that Committee members will be given priority to speak during the debate of agenda items

Emma Denny
Democratic Services Manager

To: Mr V Platten, Cllr S Bütikofer, Cllr J Boyle, Cllr C Cushing, Cllr A Fletcher, Cllr S Penfold and Cllr V Holliday

All other Members of the Council for information.
Members of the Management Team, appropriate Officers, Press and Public

IN TRAN communication for all

If you have any special requirements in order to attend this meeting, please let us know in advance
If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Chief Executive: Steve Blatch
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Email districtcouncil@north-norfolk.gov.uk **Web site** www.north-norfolk.gov.uk

A G E N D A

1. **TO RECEIVE APOLOGIES FOR ABSENCE**

2. **SUBSTITUTES**

3. **PUBLIC QUESTIONS**

To receive public questions, if any.

4. **DECLARATIONS OF INTEREST** 1 - 6

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

5. **ITEMS OF URGENT BUSINESS**

To determine any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act 1972.

6. **MINUTES** 7 - 12

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 25th March 2025.

7. **GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST** 13 - 14

To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations.

8. **NORTH NORFOLK DISTRICT COUNCIL PROVISIONAL AUDIT PLANNING REPORT, YEAR ENDING 31 MARCH 2025** 15 - 60

To receive and consider the Provisional Audit Planning report for the 2024/2025 Audit. The report provides the Governance, Risk and Audit Committee of North Norfolk District Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit by the Council's External Auditor, EY.

9. **INTERNAL AUDIT PROGRESS & FOLLOW-UP REPORT** 61 - 98

Summary: This report provides details of progress with the 2024/25 Internal audit Plan and outstanding recommendations.

Conclusions: The 2024/25 Internal Audit Plan has been completed, with 15 final reports having been issued. Outstanding recommendations are progressing.

Recommendation**:** That the Committee is requested to receive and note:

The completion of the 2024/25 Internal Audit Plan and the progress of the outstanding recommendations.

Cabinet member(s): All

Ward(s) affected: All
Teresa Sharman 01603 430138
teresa.sharman@southnorfolkandbroadland.gov.uk

10. ANNUAL REPORT/OPINION & REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 99 - 130

Summary: This report concludes on the Internal Audit Activity undertaken during 2024/25, provides an annual opinion concerning the Council's framework of governance, risk management and control, concludes on the effectiveness of internal audit and provides key information for the Annual Governance Statement.

Conclusions**:** The Head of Internal Audit is able to give a reasonable / limited opinion on the framework of governance, risk management and control overall at North Norfolk District Council. Improvement in the control environment is needed.

Recommendation: That the Committee is requested to: -

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2025.
- Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2024/25.
- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

Cabinet member(s): All
Teresa Sharman 01603 430138
teresa.sharman@southnorfolkandbroadland.gov.uk

11. TREASURY MANAGEMENT CODE OF PRACTICE 131 - 182

Executive Summary	The Chartered Institute of Public Finance & Accountancy (CIPFA) revised its Code of Practice for Treasury Management and recommends the Council formally adopts the clauses identified in this report.

Options considered	The adoption of these Clauses is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services.
Consultation(s)	Cabinet Member Section 151 Officer
Recommendations	That the Governance Risk and Audit Committee recommends that Full Council formally adopt the updated Treasury management Code of Practice.
Reasons for recommendations	The adoption of these Clauses is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services. The 2021 clauses were not formally adopted through Full Council (although enacted) due to vacancies in Finance staff at the time of CIPFA's implementation.
Background papers	Treasury Management Code of Practice 2009 (last CIPFA update).
Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Daniel King – Assistant Director Finance & Assets Daniel.King@north-norfolk.gov.uk

12. TREASURY OUTTURN REPORT 2024/25 183 - 208

Executive Summary	This report sets out the Treasury Management activities undertaken during 2024/25 compared with the Treasury Management Strategy for the year.
Options considered	For the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code) and CIPFA Treasury Management in the Public Services Code of Practice an outturn report must be presented to Members to inform them of the outcome of the Treasury Management activity for the year. Therefore, no other option has been considered.
Consultation(s)	Link Treasury Services have provided the economic information in Appendix A of this report.

Recommendations	That Governance Risk and Audit Committee reviews and recommends the outturn position to Full Council for approval.
Reasons for recommendations	The Treasury Management activity for the year requires approval by Full Council for the Council to comply with the CIPFA Treasury Management and Prudential Codes.
Background papers	This report refers to the Council's Treasury Management Strategy 2024/25.

Wards affected	All
Cabinet member(s)	Cllr. Lucy Shires
Contact Officer	Claire Waplington Claire.Waplington@north-norfolk.gov.uk

13. CORPORATE RISK REGISTER

To receive and comment on the Corporate Risk Register.
Please note that this item will follow

14. PROCUREMENT EXEMPTIONS

To receive the Procurement Exemptions Register for the period 12 March to 20 May 2025.

15. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

To review the Governance, Risk & Audit Committee Work Programme.

16. EXCLUSION OF THE PRESS AND PUBLIC

To pass the following resolution, if necessary:

"That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph _ of Part I of Schedule 12A (as amended) to the Act."

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Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1** (**Disclosable Pecuniary Interests**) which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2** (**Other Registerable Interests**).

“**Disclosable Pecuniary Interest”** means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.

2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.

3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which ***directly relates*** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which ***directly relates*** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which ***affects*** –
    a. your own financial interest or well-being;
    b. a financial interest or well-being of a relative, close associate; or
    c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

    you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter ***affects*** your financial interest or well-being:
    a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
    b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

    You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

    If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were

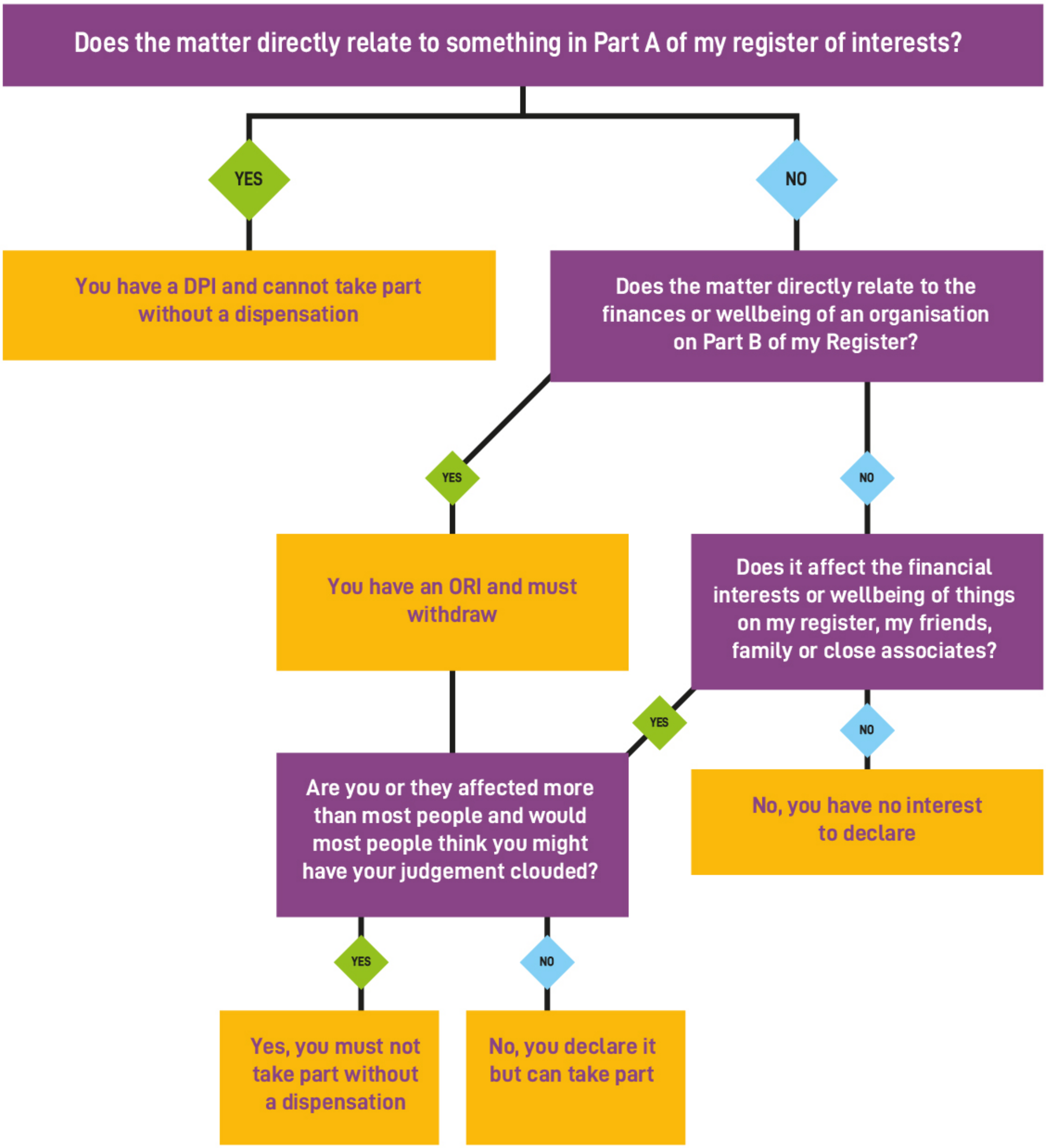
	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* ‘director’ includes a member of the committee of management of an industrial and provident society.

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

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect: a) any body of which you are in general control or management and to which you are nominated or appointed by your authority b) any body (i) exercising functions of a public nature (ii) any body directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)



Local Government Association
Guidance on LGA Model Councillor Code of Conduct

GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 25 March 2025 at the Council Offices, Holt Road, Cromer, NR27 9EN at 2.00 pm

Committee Members Present:

Cllr J Boyle (Vice-Chairman)
Cllr C Cushing
Cllr A Fletcher

Officers in Attendance:

Director for Communities (DfC) and Assistant Director for Finance, Assets, Legal & Monitoring Officer

128 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies received from Cllr S Penfold, Cllr L Vickers, Cllr S Butikofer.
In addition, the Independent Person was unable to attend but had shared comments on the agenda items which have been shared with the Chair.

129 SUBSTITUTES

None

130 PUBLIC QUESTIONS

None

131 DECLARATIONS OF INTEREST

None

132 ITEMS OF URGENT BUSINESS

None

133 MINUTES

The minutes of the meeting of the Governance, Risk & Audit Committee held on 03 December 2024 were approved as a correct record.

134 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

Cllr C Cushing asked for clarification whether the action referenced on page 12 of the minutes of the meeting on 3rd December 2024 (missing contract) had been actioned. The ADL&G stated she believed members had been sent an email. The Chair confirmed she had received an email confirming the contract had been located.

The Chair noted the action (Minute 110) to provide a written update at the next meeting on progress of the recommendation contained within the Private Sector Housing Audit and that this update had not been received. The Chair asked Officers to identify who was responsible for this action and the update to be provided.

The Chair referred to the action (Minute 110) that the Internal Auditor should provide the Committee with a brief progress update each month to ensure the Audit action plan remained on track for completion in March 2025. She noted the progress in the last 3 months, but requested that this update be provided each month. The HIA confirmed this would be provided.

The Chair offered thanks to the Resilience Manager whose updates to Members on the recent tanker incident were invaluable.

The Chair referred to the action under Minute 116 and for the Performance Manager to discuss with the responsible Officer the lack of property assessments and asked that the Committee be updated on appropriate Property assessments.

The Chair commented on Minute 109 whereby the Director of Resources was to provide an update each month on progress towards publication of Statement of accounts. The ADL&G stated that she will ask that an email be circulated to Members with an update.

135 INTERNAL AUDIT PLAN 2025/2026 CHARTER AND MANDATE

The HIA provided the Committee with an overview of the plan. She explained the Plan had been prepared using a different approach, which moved away from the cyclical approach to audits, to one based on corporate priorities and risk. This meant that audits had been prioritised to 'Essential , High, Medium and Low' risk. The plan would be reviewed quarterly to ensure that it reflected any changes to the environment. She also referred the Committee to the Charter and Mandate, the Charter having been made clearer than previously and laying out Internal Audits role, purpose and responsibilities. The Mandate was a new inclusion required by the Accounts and Audit and Regulations 2015.

Cllr Fletcher referred to page 26 of the Audit Risk Universe document, asking whether reliance on the Council's current risk register was sufficient or whether a secondary review of potential risks was required.

The HIA commented that the starting point was the existing risk register but that the discussions widened to consider for other potential risks and that the quarterly review had the potential to widen the discussion further to consider other potential risks. She anticipated that this approach would develop in future years.

The Chair asked for clarification about the areas identified as low risk and unlikely to be audited this year (page 28), the HIA confirmed that this approach was standard across councils and was based on allocation of resources. She explained that the Plan identified when the last opinion on those "Low" areas had been provided. She also confirmed that there were only 2 areas of operation that were identified as "Low".

The Chair referred to the staffing challenges noted (page 30) and asked the HIA to comment. The HIA referred to the need to re-procure the main contractor shortly and confirmed that recruitment for internal resource was ongoing and that ultimately a hybrid model of internal and external resources would offer best value for money but that she had sufficient resources available to deliver the plan.

Cllr Cushing asked for clarity over how this document would progress into a plan. The HIA took the Committee through Appendix 2 which identified the audits and timescales. She confirmed that those areas identified as “Monitor” would be reviewed. It was agreed that having priorities identified for these items would be helpful. Cllr Cushing questioned those areas where there was no recorded previous audits and the HIA explained that these areas may have been included in other audits in the past or be areas where the work of External Audit at the end of the year gave assurance.

The Chair asked for clarification on outstanding actions on page 34, the HIA noted that any outstanding actions would be useful to consider during quarterly reviews and that they use a separate monitoring sheet for that purpose and, that when the progress report was provided to the Committee, the current Plan would be provided as an appendix so that the Committee could approve any changes and any outstanding audits would be visible.

The Chair asked about the reference to Human Resources on page 34 and whether the priority should be higher in the Audit Plan. The HIA confirmed that this area would be audited early in the year. The HIA also confirmed that the reference to “advisory” was so that that advice could be given to the area to ensure the best possible controls were in place.

The Chair asked for clarification as to the difference between monitoring and auditing regarding Coastal Management on page 42. The HIA stated that as there was an audit taking place and there were changes to the partnership, the intention was to monitor until the first quarterly review and then reconsider the audit risk.

The Chair requested further information on the communication and resource requirements referred to in the Mandate and Charter (page 45) and noted that some of the planned audits were behind schedule and asked whether progress was being made. The HIA informed the Committee that progress was being made towards the year end and believed that the Annual opinion for the Committee would be provided in June as planned.

The HIA provided confirmation, following a question, that the last Quality and Assurance Improvement Programme External assessment was carried out in October 2022 (the next one being due October 2027).

It was proposed by Cllr Fletcher and seconded by Cllr Cushing

and Unanimously RESOLVED to approve the Internal Audit Plan 2025/26 and the Internal Audit Charter and Mandate.

136 INTERNAL AUDIT PROGRESS REPORT MARCH 2025

The HIA confirmed that there were no changes to the plan and that there were 3 final reports presented including the Cyber security paper (which is a confidential paper) and they were all positive audit opinions. There had been a lot of work done on closing outstanding recommendations, and all audits had now started including the IT audits.

Cllr Cushing asked for further information on the outstanding recommendations (Page 73 Waste Management). The HIA had asked for further clarification from the relevant parties and was attempting to gain clarity to either deal with any remaining issues or close the matter. The DfC provided the Committee with an update on the current status of the inter authority agreement and was awaiting final clarification from Kings Lynn & West Norfolk Borough Council (KLWBC) as to whether they wanted to move forward and renew the inter authority agreement.

The Chair questioned the remaining outstanding items on page 73. The HIA suggested to the Committee that if the items passed their new due date, Officers would be asked to attend a Committee meeting to explain how they intend to action the recommendations, the Chair noted this to be a sensible suggestion.

Cllr Cushing asked for clarification on the amount of money involved in the recommendation regarding the correct accounting of all Licence fee income and land charges reconciliation (Pages 73 and 74). The HIA agreed to provide this information to the Committee.

The Chair acknowledged the significant improvement in terms of dealing with outstanding Audit recommendations. The DfC provided the Committee with information on the work of the Performance and Productivity Oversight Board which had been focussing on resolving outstanding recommendations. The Board would now focus on recommendations before they become overdue and work with managers to put in place plans to deliver recommendations by their due date. The Chair thanked the DC for the update.

The Committee noted the Report

137 REVIEW OF THE COUNCIL'S ASSETS REGISTER

Cllr Fletcher and the Chair noted apparent duplications of items and asked for the matter to checked. The Chair also asked for clarification of how the book values had been calculated. The ADL&G explained that some items were valued separately although related to the same item and therefore may not be a duplication. Cllr Cushing asked for clarification around the Fakenham Connect building, The DfC confirmed Officers would clarify for the Committee.

Cllr Cushing also noted that when considering the implication of LGR that the amount on this register would create significant work.

The Committee received and noted the Report.

138 CORPORATE RISK REGISTER

Cllr Cushing noted (on page 108) the reduced risk rating regarding the medium-term financial plan. The DfC confirmed that Officers would update the Committee on the thought process behind this risk assessment.

The Chair asked for information regarding resources in property services team (page

102) and the associated risk assessment (Risk CR001). The DfC explained that in terms of the risk itself it hadn't changed and there were sufficient resources available but acknowledged that there remained some recruitment activities.

The Committee discussed risk CR008 (loss of information) and the updated IT Security policy and asked whether Councillors had to agree the updated policy. The ADL&G undertook to check with the IT team on this point and action as necessary.

Regarding risk CR0034, the Chair asked for an update on the situation with Net Zero and current projects. The DfC confirmed that the Committee would be provided with an update from the Decarbonisation Board. The Committee also commented on risks associated with food waste collection, The DfC commented that the risks which had been identified within the project would be transferred, as appropriate, to the Corporate Risk register.

The Committee received and noted the Report.

139 PROCUREMENT EXEMPTIONS

The ADL&G confirmed the content of the report and the 3 exemptions reported in the period in question.

140 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The HIA confirmed that the intention was to move Committee self-assessment to June 2025 (from March 2025) to ensure all the actions from the first part of the assessment were completed before moving forward to the second part. The Committee agreed to this proposal.

The meeting ended at 3.17 pm.

Chairman

GOVERNANCE, RISK & AUDIT COMMITTEE 25 MARCH 2025 – OUTCOMES & ACTIONS LIST

MINUTE NO.	AGENDA ITEM AND ACTION	ACTION
134	**GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST**	
	Actions flagged as still outstanding: 1. To provide a written update on progress of the recommendation contained within the Private Sector Housing Audit. Officers were asked to identify who was responsible for this action and the update to be provided. 2. HIA to provide a brief progress update each month to ensure the Audit action plan remained on track for completion in March 2025 3. The Performance Manager to discuss with the responsible Officer the lack of property assessments and the Committee to be updated on appropriate Property assessments	**CLT**
136	**INTERNAL AUDIT PROGRESS & FOLLOW UP REPORT**	
	Clarification on the amount of money involved in the recommendation regarding the correct accounting of all Licence fee income and land charges reconciliation (Pages 73 and 74). The HIA agreed to provide this information to the Committee	**HoIA**
137	**REVIEW OF THE COUNCIL'S ASSET REGISTER**	
	- Noted apparent duplications of items and asked for the matter to checked. - Clarification of how the book values had been calculated. - Clarification around the Fakenham Connect building,	**CLT**
138	**CORPORATE RISK REGISTER**	
	Noted (on page 108) the reduced risk rating regarding the medium-term financial plan. Officers to update the Committee on the thought process behind this risk assessment Risk CR008 (loss of information) – clarification on whether members were required to approve the updated policy.	**CLT** **IT**
139	**GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME**	
	Self- assessment – to confirm when this will take place	**HIA**

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North Norfolk District Council

Provisional audit planning report

Year ending 31 March 2025

25 April 2025

The better the question. The better the answer. The better the world works.

Shape the future with confidence

Agenda Item 8

Private and Confidential

Governance, Risk and Audit Committee
North Norfolk District Council
Council Offices
Holt Road
Cromer
NR27 9EN

25 April 2025

Dear Governance, Risk and Audit Committee Members

Provisional Audit planning report 2024/25

Attached is the provisional audit planning report for the upcoming meeting of the Governance, Risk, and Audit Committee. This report aims to provide the Governance, Risk and Audit Committee of North Norfolk District Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Council's body charged with governance, the Governance, Risk and Audit Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Governance, Risk and Audit Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. We direct Governance, Risk and Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

This report is intended solely for the information and use of the Governance, Risk and Audit Committee and management, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 3 June 2025 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Riglar

For and on behalf of Ernst & Young LLP

Enc

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment and further guidance (updated July 2021)' issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Risk and **Audit Committee and management of** North Norfolk District Council. Our work has been undertaken so that we might state to the Governance, Risk and **Audit Committee and management of** North Norfolk District Council those matters we are required to state to them in this 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 Governance, Risk and **Audit Committee and management of** North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 2024/25 audit strategy overview

Page 18

2024/25 audit strategy overview

Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:

- Insufficient capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Insufficient capacity within audit firms with public sector experience.
- Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

Page 19

- **Phase 1: Reset;** clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- **Phase 2: Recovery from Phase** 1; from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- **Phase 3: Reform;** involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Audit Completion Report presented to the Governance, Risk and Audit Committee on 25/02/2025, we disclaimed our audit opinion on the Council's 2023/24 financial statements.

We did not gain assurance over the closing balances in 2023/24. Consequently, we do not have assurance over the opening balances for 2024/25. This means we do not have assurance over in-year movements and some closing balances for 2024/25. Although we will continue to undertake work in 2024/25 to rebuild assurance ahead of the backstop date (subject to guidance), we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimed audit opinion in 2024/25.

2024/25 audit strategy overview (cont'd)

Rebuild of assurance — current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve.

Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme.

We will audit the 2024/25 closing balance sheet and in-year transactions, similar to our approach for 2023/24, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25 . Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2021/22, 2022/23, 2023/24 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

Page 20

Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Governance, Risk and Audit Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this conditions are not met, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Risk and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure including Expenditure Funded from Capital Under Statute (REFCUS)	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Valuation	Other area of audit focus	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements. Due to the significant estimation and judgement involved, an actuary is engaged for calculations. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates.
Valuation of Other Land and Buildings (Including Investment Property)	Other area of audit focus	No change in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Property represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Risk and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
General Ledger system change	Other area of audit focus	No change in risk or focus	The Council implemented a new main finance system during late 2022/23 (December 2022). The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts. We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.
IFRS 16 Implementation	Other area of audit focus	New risk	IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts. IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments. Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices. Based on our prior year work the Council had made some progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements. Therefore, we have assessed this an other area of audit focus.

Page 22

We will continue to keep the Governance, Risk and Audit Committee updated on our assessment of any changes to audit risk.

2024/25 audit strategy overview (cont'd)

Council Materiality

Planning materiality

£1.5m

Materiality has been set at £1.5 million, which represents 2% of 2023/24 gross expenditure on provision of services.

Performance materiality

£0.75m

Performance materiality has been set at £0.75 million, which represents 50% of materiality.

Audit differences

£0.075m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account , and collection fund) greater than £75,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee.

Page 23

We will keep the Governance, Risk and Audit Committee updated on any changes to materiality levels as the audit progresses.

2024/25 audit strategy overview (cont'd)

Audit scope

This audit planning report covers the work that we plan to perform to provide you with:

- our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

2024/25 audit strategy overview (cont'd)

Audit scope (cont'd)

Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements.

We inquire about climate-related risks during every audit as part of our understanding of the entity and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

Audit scope and approach

We plan to adopt a substantive audit approach.

Page 25

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

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

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This will need to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk of management override of controls*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertake procedures to identify significant unusual transactions.
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure including Expenditure Funded from Capital Under Statute (REFCUS) *

Page 28

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE)/Investment Property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- Test Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Journal testing – we will use our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised. This includes seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Carry out a review of capital budget monitoring and outturn reports to identify any unusual trends or significant under/overspends.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension Valuation (Inherent Risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council/Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024, this showed a net pension liability of £3.430 million, comprising the present value of defined benefit obligation (£106.458 million) and the fair value of plan assets (£103.028 million).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Valuation of Land & Buildings (Including Investment Property) (inherent risk)

The fair value of other land and buildings (£70.764 million as at 31st March 2024) and Investment Properties (IP) (£1.196 million as at 31st March 2024) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting.

The Council's IP and surplus property is subject to annual revaluation, while its operational PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

Our response: Key areas of challenge and professional judgement

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated.
- Consider changes to useful economic lives as a result of the most recent valuation.
- Test accounting entries have been correctly processed in the financial statements.

What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

General Ledger system change (Inherent Risk)

The Council implemented a new main finance system during late 2022/23.

Advanced Business Solutions efinancials was changed to Civica Financials in December 2022.

The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.

We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.

Page 31

Our response: Key areas of challenge and professional judgement

As the system has now been operational for over two years, we will:

- Review the Council's internal validation checks alongside any other accuracy and completeness checks performed over the data migration.
- Obtain and consider the latest Internal Audit Report review of the system upgrade and data migration process to identify if there were exceptions that we should consider in our approach.
- Perform our own further reconciliation checks over the data transferred to obtain assurances as to the completeness and accuracy of the data transfer, where deemed necessary.

What else will we do?

We will continue to consider the need to use EY Financial Audit and IT to support our work in this area.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

IFRS 16 Implementation (Inherent Risk)

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

Based on our prior year work the Council had made some progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements. Therefore, we have assessed this as an other area of audit focus.

Page 32

Our response: Key areas of challenge and professional judgement

We will:

- Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Review the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Review management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gain assurance over the right of use asset included in the 2024/25 financial statements
- Sample test leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

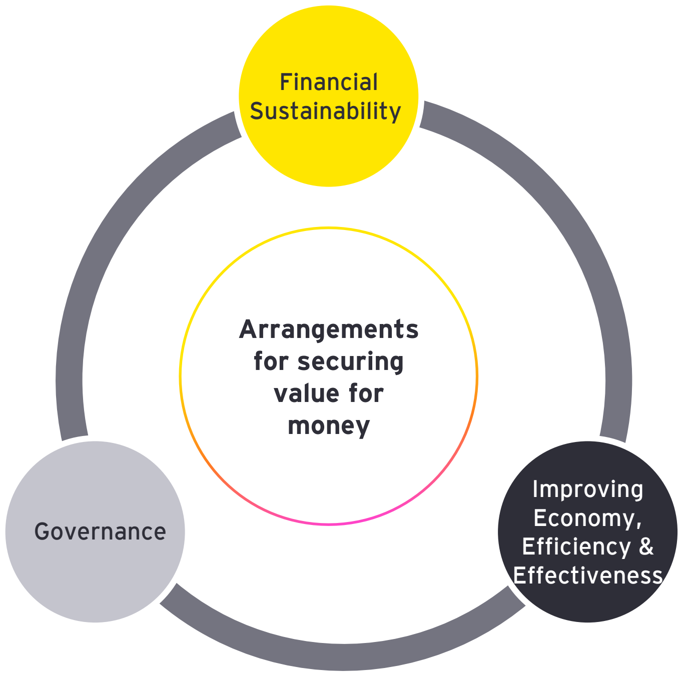
Auditor Responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

Page 34

The specified reporting criteria are:

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



Value for Money (cont'd)

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem as necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Page 35

Responding to identified risks of significant weakness

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Governance, Risk and Audit Committee.

Value for Money (cont'd)

Reporting on VFM

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's awareness. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Status of our 2024/25 VFM planning

We have yet to complete our detailed value for money planning. However, one area of focus will be on the Council's financial reporting arrangements as this was reported as a significant weakness in 2023/24. This VFM risk is set out on the next page.

We will update the next Governance, Risk and Audit Committee meeting on the outcome of our value for money planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

Value for Money (cont'd)

Value for Money Risks

The table summarises the risk of significant weaknesses identified during our planning. We will review arrangements and risks regularly, updating our work if new risks arise and inform you of any additional significant weaknesses.

What is the risk of significant weakness?	What arrangements does this impact	Change from PY	Details and what we will do
In the 2021/22 to 2023/24 financial years the Authority has been unable to publish its statement of accounts within the target dates required by the Accounts and Audit Regulations 2015. The issues have been discussed by the Governance, Risk and Audit Committee where it was reported the delays were caused by staff shortages and the need to prioritise available resources on medium term financial planning. The capacity issues within the finance team and the implementation of a new finance system in the prior year had a consequential impact on the timely publication of the statement of accounts. The issues above are evidence of weaknesses in proper arrangements for governance, including reliable and timely financial reporting that supports the delivery of strategic priorities.	Governance	No change in risk or focus	We will monitor the Council's compliance on the following: • The publication of the 2024/25 Statement of Accounts within the Statutory deadline; and • The Council's consideration of internal audit recommendations and progress on the action plan developed to address the findings. We will also: • Review the Council's arrangements to prepare financial statements in accordance with the Cipfa Code of Practice on Local Authority Accounting and PSAA's statement of responsibilities (Appendix A). • Review Internal Audit reports and council committee papers to determine whether the staff shortages have impacted wider finance team responsibilities. • We will consider the need for Statutory Audit reporting if the Council's arrangements have not improved.

04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2024/25 has been set at £1.5 million. This represents 2% of the Council's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process.

The Council is a public sector body, and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such, we consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts.

Gross expenditure on provision of services

£74.987m

Page 39

Planning materiality **£1.5m**

Performance materiality **£0.75m**

Audit differences **£0.075m**

We will keep the Governance, Risk and Audit Committee updated on any changes to materiality levels as the audit progresses.

We request that the Governance, Risk and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.75 million which represents 50% of planning materiality. We have set planning materiality at a lower level as we have assessed a higher likelihood of material error in the financial statements.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that Committee or income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee, or are important from a qualitative perspective.

05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Page 41

Audit process and strategy (cont'd)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Page 42

Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

06 Audit team

Page 43

Audit team

David Riglar
Key Audit Partner

Anastasia Lukhtan
Assistant Manager

Katherine Anne Racelis
Lead Senior

Specialist
Specialist PWC consulting actuary and EY Actuaries

Specialist
EY Real Estates

Use of specialists

- Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	Management Specialist – Hymans Robertson (Actuary to Norfolk Pension Fund) EY Actuaries PwC (Consulting Actuary to the NAO)
Valuation of Land and Buildings	Management Specialist – Wilks, Head & Eve EY Real Estates (in relation to assessing the Councils' valuers and otherwise required)
Implementation of new GL System	EY IT specialists (if required), will support the audit team to determine whether the new system has been appropriately implemented including review of governance arrangements in place for the implementation and testing of the system architecture to determine whether appropriate controls are in place within the system.

Page 45

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements

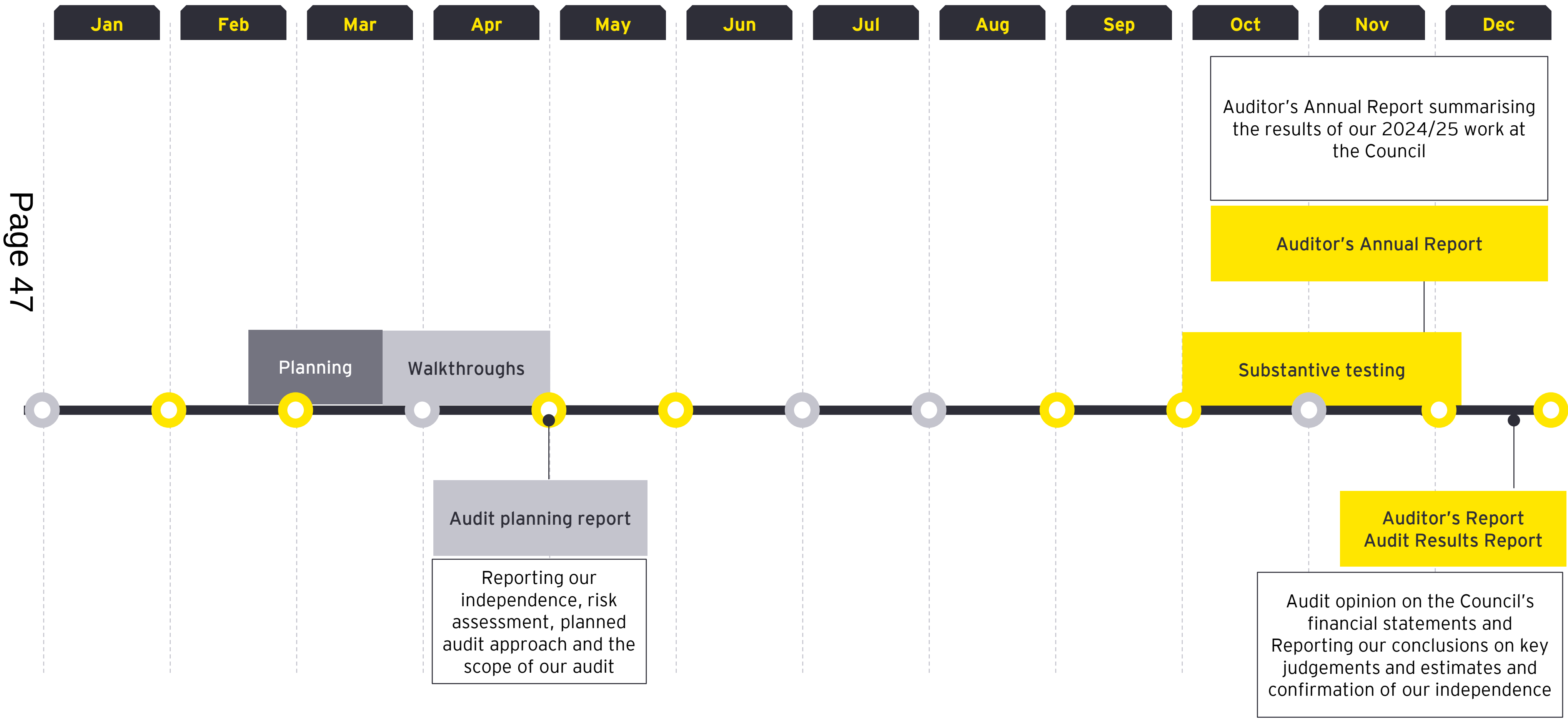
07 Audit timeline

Page 46

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Governance, Risk and Audit Committee and we will discuss them with the Governance, Risk and Audit Committee Chair as appropriate.



Page 47

08 Independence

Introduction

The FRC Ethical Standard 2024 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
▪ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▪ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▪ The overall assessment of threats and safeguards; ▪ Information about the general policies and process within EY to maintain objectivity and independence ▪ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service). ▪ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.	▪ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▪ Details of non-audit/additional services provided and the fees charged in relation thereto; ▪ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▪ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▪ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▪ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance); and ▪ An opportunity to discuss auditor independence issues.

Page 49

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of David Riglar, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved.

Page 50

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0 as there are no non-audit services. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here**: EY UK 2024 Transparency Report.**

09 Appendices

Page 52

Appendix A — PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B — Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Council;
- an effective control environment; and
- compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2024/25	2023/24	2022/23	2021/22
	£	£	£	£
Total Fee – Code Work	164,407	149,591	41,667	41,667
Other - determined by PSAA	TBC (Note 2)	TBC (Note 1)	TBC (Note 1)	TBC (Note 1)
Total audit	**TBC**	**TBC**	**TBC**	**TBC**
Other non-audit services not covered above (Housing benefits) (Note 3)	TBC	TBC	TBC	TBC
Total other non-audit services	**TBC**	**TBC**	**TBC**	**TBC**
Total fees	**TBC**	**TBC**	**TBC**	**TBC**

All fees exclude VAT

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24, 2022/23, 2022/21, and 2020/21 audits. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

2. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Additional procedures related to the General Ledger system change.
- Impact on the level of audit work due to use of decreased materiality.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Modified financial statement opinions

3. The 2021/22 Housing Benefit non-audit service has commenced and fees are yet to be determined. The 2022/23 Housing Benefit non-audit service has not started.

Appendix C — Required communications with the Governance, Risk and Audit Committee

We have detailed the communications that we must provide to the Governance, Risk and Audit Committee.

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Governance, Risk and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report – 03 June 2025 meeting of the Governance, Risk and Audit Committee
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process ▪ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit results report – 2 December 2025 meeting of the Governance, Risk and Audit Committee

Page 55

Appendix C — Required communications with the Governance, Risk and Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The adequacy of related disclosures in the financial statements	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Misstatements	▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Fraud	▪ Enquiries of the Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to Governance, Risk and Audit Committee responsibility	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee

Page 56

Appendix D — Required communications with the Governance, Risk and Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity	Audit results report – 2 December 2025 meeting of the Governance, Risk and Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ▪ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report – 03 June 2025 meeting of the Governance, Risk and Audit Committee Audit results report – 2 December 2025 meeting of the Governance, Risk and Audit Committee

Page 57

Appendix C — Required communications with the Governance, Risk and Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Governance, Risk and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Risk and Audit Committee may be aware of	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Internal controls	▪ Significant deficiencies in internal controls identified during the audit	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Audit results report - 2 December 2025 meeting of the Governance, Risk and Audit Committee

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

Ernst & Young LLP

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

UKC-038566 (UK) 03/25. Creative UK.
ED None

ey.com/uk

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Governance, Risk and Audit Committee 3 June 2025

Agenda Item No_____________

Progress Report March 2025

Summary:	This report provides details of progress with the 2024/25 Internal audit Plan and outstanding recommendations.
Conclusions:	The 2024/25 Internal Audit Plan has been completed, with 15 final reports having been issued. Outstanding recommendations are progressing.
Recommendation:	That the Committee is requested to receive and note:

- The completion of the 2024/25 Internal Audit Plan and the progress of the outstanding recommendations.

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Teresa Sharman 01603 430138 teresa.sharman@southnorfolkandbroadland.gov.uk

1. Background

1.1 This report is issued to assist the Council in discharging its responsibilities in relation to the internal audit activity.

1.2 The Global Internal Audit Standards requires the Chief Audit Executive to report to the Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.

2. Overall Position

2.1 The attached report details:

- Any significant changes to the Internal Audit Plan
- Progress made in delivering the Internal Audit Plan
- The outcomes arising from audit work
- Final report executive summaries
- Status of agreed recommendations
- Details of outstanding recommendations

3. Conclusion

3.1 The 2024/25 Internal Audit Plan has been completed, with 15 final reports having been issued. Outstanding recommendations are progressing.

4. Recommendation

1) That the Committee is requested to receive and note:

- The completion of the 2024/25 Internal Audit Plan and the progress of the outstanding recommendations

Appendices attached to this report:

Appendix A – Progress Report 2024-25

Appendix A

EASTERN INTERNAL AUDIT SERVICES

NORTH NORFOLK DISTRICT COUNCIL

Progress Report 2024/25

Head of Internal Audit: Teresa Sharman

Contents

Progress at a glance

x

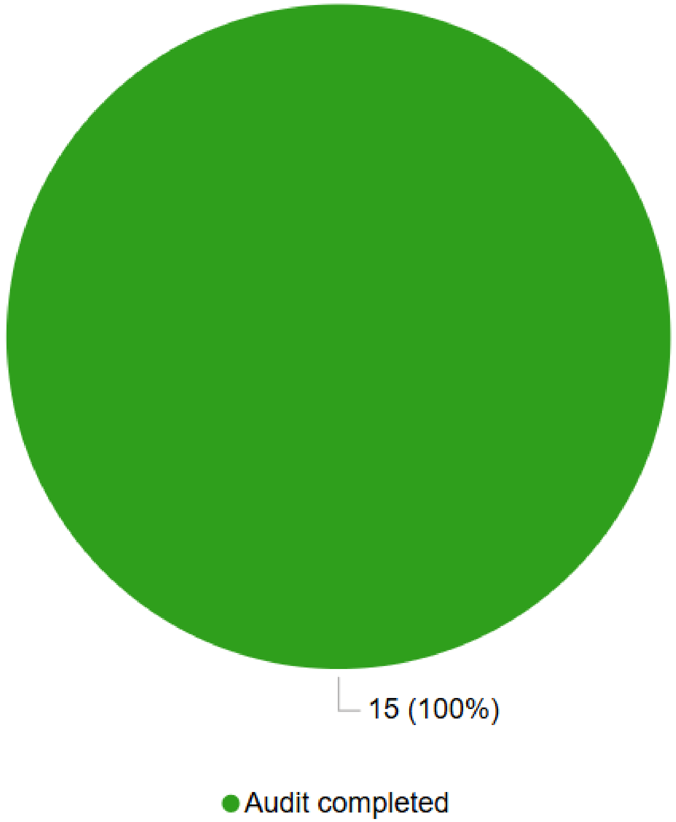
15
Audits in 2024/25 Audit Plan

6
Urgent Recs Raised

49
Important Recs Raised

25
Routine Recs Raised

4
OEMs Raised



<u>20</u>
<u>Outstanding Recommendations</u>
13 Important
7 Routine

<u>Oldest – 2021/22</u>
Environmental Health
1 important
Key Controls & Assurance
1 important

eias
Providing quality public sector internal audit

Executive Summary

Introduction	Under the Global Internal Audit Standards (GIAS), 'The chief audit executive (Head of Internal Audit) must provide the board with the information needed to conduct its oversight responsibilities.' In particular, 'Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results.' and 'The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.' Under the Committee's terms of reference, the Committee should receive updates on the work of internal audit, including key findings, issues of concern and action in hand from internal audit work and consider summaries of specific internal audit reports. This report is to assist the Committee in discharging its responsibilities in relation to internal audit activity.

Background	The Internal Audit Service for the Council is provided by the Consortium, Eastern Internal Audit Services, hosted by South Norfolk Council, which utilises the services of a contractor, TIAA Ltd. Internal audit provides an independent and objective opinion on the Council's internal controls by evaluating their effectiveness and operation in practice.

Changes to the 2024/25 Audit Plan	Since the Internal Audit Plan was approved, there have been no changes.

Page 67

Progress to date and audit outcomes

Progress with audit work

The current position in completing all audits to date is shown in **Appendix 1**.

Internal Audit Plan 2024/25

All the audits due for completion as part of the 2024/25 internal audit plan have been completed, with final reports now issued.

Audit Outcomes - Final Reports

Audit	Assurance Level	Urgent Recs	Important Recs	Routine Recs
Coastal Management	Substantial	0	0	0
Application Review: Revenues & Benefits	Reasonable	0	1	0
Key Controls and Assurance	Reasonable	0	1	1
Application Review: Finance System	Reasonable	0	1	2
Waste Management (contract with SERCO)	Limited	2	5	1
Environmental Charter	Limited	0	5	2
Section 106 Arrangements	Limited	1	8	1
Commercial Estates	Reasonable	0	5	0
Total	**-**	**6**	**23**	**7**

The Executive Summary for the final reports issued and recommendations raised for the period are provided in **Appendix 2**, and full copies of the reports can be requested by Members.

Page 69

Outstanding Recs

The table shows the total number of outstanding recommendations by year and priority rating: -

Audit Year	Audit Name	2	3	Total Outstanding as at 16 May 25
2021/22	Environmental Health	1		**1**
	Key Controls and Assurance	1		**1**
	Total	**2**		**2**
2023/24	Accounts Payable		1	**1**
	Key Controls and Assurance	1		**1**
	Land Charges	1		**1**
	Post Implementation - Finance System Review	1		**1**
	Total	**3**	**1**	**4**
2024/25	Leisure		1	**1**
	Risk Management		1	**1**
	Private Sector Housing - HMOs, private rental enforcement and empty homes	5		**5**
	ICT-Cyber Security	3	4	**7**
	Total	**8**	**6**	**14**
Total		**13**	**7**	**20**

The following audits in the table above were assigned a ‘limited’ overall assurance opinion: -

- 2023/24 – Land Charges
- 2023/24 – Post Implementation – Finance System Review
- 2024/25 – Private Sector Housing – HMOs, private rental enforcement and empty homes
- 2024/25 – Risk Management

	As a result of audit recommendations raised, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed. **Appendix 3** provides the Committee with details of urgent and important priority recommendations that are overdue for the year in which they were raised. Management responses and a new deadline, where available, have been indicated for each.

Progress with actions to Improve poor performance	Progress with actions being taken to improve contractor performance is outlined below: - **Another Team was appointed to deliver quarter 1 audits in 2024/25: -** this Team has now handed quarter 1 audits back to our core team for completion. **A Protocol, 'a ways of working together' and expectations of Council officers and the Contractor has been issued to ensure that audits are completed as planned in 2024/25 without delay, including timescales for responding and escalation action: -** this is in place and is being monitored jointly with the Internal Audit Contractor. Both parties have access to update the audit monitoring spreadsheet. **Consideration is being given to engaging with another contractor to complete some audits during 2024/25:** - a second contractor, Shared Internal Audit Services hosted by Hertfordshire County Council has been appointed to complete five audits across the Consortium. A further four audits have now also been assigned to BDO to complete across the Consortium in quarter 4, one of which is for NNDC. **The Contractor is appointing another Client Manager on the contract as one of the current managers is part time. This will help ensure that all audit work is progressed timely. In addition, more auditors are recruited: -** a new director has been assigned to us.

Summary of Audit Work 2024/25 Appendix 1

Audit Area	Status	Opinion	Total Recs	Urgent	Important	Routine	OEMs	Qtr
Data Protection	Audit completed	Substantial	3	0	0	3	1	1
Coastal Management	Audit completed	Substantial	0	0	0	0	0	2
Leisure	Audit completed	Reasonable	5	0	1	4	1	2
Applications review: Revenues and Benefits	Audit completed	Reasonable	1	0	1	0	0	2
Early Help Hub	Audit completed	Reasonable	3	0	3	0	0	3
Environmental Protection and Private Water Supplies	Audit completed	Reasonable	2	0	1	1	0	3
Cyber Security	Audit completed	Reasonable	17	3	6	8	1	1
Applications review: Finance System	Audit completed	Reasonable	3	0	1	2	0	3
Key Controls and Assurance	Audit completed	Reasonable	2	0	1	1	0	4
Commercial Estates	Audit completed	Reasonable	5	0	5	0	0	4
Section 106 Arrangements	Audit completed	Limited	10	1	8	1	0	3
Private Sector Housing - HMOs, private rental enforcement and empty homes	Audit completed	Limited	6	0	6	0	0	1
Risk Management	Audit completed	Limited	8	0	6	2	0	2
Environmental Charter	Audit completed	Limited	7	0	5	2	0	4
Waste Management - Commercial and garden waste	Audit completed	Limited	8	2	5	1	1	4

Grant Certifications	The following grants were certified by EIAS during 2024/25: - • Disabled Facilities Capital Grants p/e 2023/24 • Heritage Action Fund (HAZ) p/e March 2024

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Executive Summary – NN2507 Coastal Management

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following key risk: "Flooding, erosion and loss of assets and delivery of services".

KEY STRATEGIC FINDINGS

Coastal management is an objective identified in the Council's Corporate Plan. Actions to deliver the Coastwise project and the Cromer and Mundesley Schemes were included in the annual Action Plan for 2024/25, and progress with these are reported to Cabinet quarterly. Additional reports on coastal management work are made by the Portfolio Holder to each Full Council meeting.

Business cases for the Cromer and Mundesley Coast Protection Scheme were prepared and approved by Cabinet, and funding was secured from the Environment Agency. Contractors for design and construction were procured using a dynamic purchasing system and framework agreement respectively, in compliance with the Council's contract standing orders. The schemes have a project board to oversee delivery, and officers have weekly catch ups and monthly formal meetings with the construction contractor to monitor progress.

The Council has revenue and capital budgets for routine repairs and maintenance. A programme of maintenance is developed each year; further work may need to be added to the programme during the year, in which case the programme is re-evaluated to ensure that the highest priority jobs are included. Works are delivered by a contractor engaged by Property Services.

ADDITIONAL POINTS TO NOTE

The Council has a been a member of Coastal Partnership East (CPE), along with Great Yarmouth Borough Council and East Suffolk Council, since 2016. However, the CPE Board agreed in October 2024 to disband the partnership, with effect from 31st March 2025. The Councils will continue to employ the staff that they currently do through the partnership and existing projects will continue. No significant financial impacts are anticipated as a result of the changes. The Council will explore options for service level agreements with other local authorities to fill any resource or expertise gaps that may emerge.

A report on Future Coastal Management Arrangements was presented to Cabinet in January 2025, with the arrangements described above being approved. Risks associated with the decision were considered, in particular:

"There is a risk to local priorities in the event of resource gaps, however, officers are working to mitigate these so far as possible. Much of the Council's Coastal transition planning aligns with the Coastwise Project, the resourcing for which will remain in place, providing continuity. The Council's coastal engineering resources are unaffected.

Emergency response and community support will continue as existing, and it is not envisaged these changes will have any impact on this."

SCOPE

The objective of the audit was to provide assurance over the plans to protect and manage the coastline and the programme of work with Coastal Partnership East (CPE). This included particular consideration of the Cromer and Mundesley Coast Protection Scheme and the programming and delivery of routine repairs and maintenance.

However, it was agreed with Director for Place and Climate Change at the outset of the audit, to amend the original scope to exclude the recent developments with CPE and future coastal management arrangements. Reference has been made to these developments for information only.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Page 73

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Executive Summary – NN2514 Application Review – Revenues and Benefits

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following key risk: "The software system is not fit for purpose, affecting the delivery of Council services."

SCOPE

The scope of the review included application management and governance, change controls, system security, data input and output, system resilience and recovery, and support arrangements.

KEY STRATEGIC FINDINGS

User access is effectively managed, with appropriate authorisation required to set up new users and regular reviews of active users. Training on using the system is provided to all new starters and incorporated into training on major legislative or process changes.

Data input controls are in place, including restricting access to amend data, mandatory fields and data validation controls. Exception reports are produced and reviewed for tasks that update Revenues and Benefits accounts. Data is shared with other systems through interfaces and there are detailed procedures that explain how these are used.

Nightly backups of system data are taken, and business continuity plans are in place for the Revenues, Benefits and IT services, to aid system resilience and recovery. Support with system issues is provided through a support contract with the software supplier.

A Data Protection Impact Assessment for the system has not yet been undertaken.

GOOD PRACTICE IDENTIFIED

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	0

Recommendation	Priority	Implementation Time
Complete a Data Protection Impact Assessment for the OpenRevenues system.	2	31/07/2025

Executive Summary – NN2503 Key Controls and Assurance

OVERALL ASSESSMENT

KEY STRATEGIC FINDINGS

Checks confirming the validity of requests to change supplier bank details are not always evidenced. This contravenes local policy and increases the risk of fraud if these checks do not take place.

Controls are operating effectively for all areas of accountancy services reviewed. This includes control account reconciliations, treasury management decisions and processing, asset management and budget setting and monitoring.

The Council does not require independent authorisation for any journals. Although this increases the risk of errors in the posting of journals, the Council considers this risk to be minimal due to other mitigating controls with only accountants able to post journals and with any errors identified through budget monitoring. A journal template is used for entry, which contains supporting evidence and narrative for the journal being posted.

Apart from one instalment case where recovery action had been delayed, controls are operating effectively for all areas of accounts receivable reviewed. This includes raising of invoices and credit notes, debt recovery and monitoring and debt write offs.

With the exception of weaknesses around verification of changes to supplier bank details, controls are operating effectively for all areas of accounts payable reviewed including the raising and authorising of purchase orders, payment of invoices, processing of BACS payments and one-off payments.

Imbalances, which are a legacy from the migration to the new finance system, were noted in reconciliations of the Receipts, Direct Credits, Payments and Rent Allowance Bank accounts which will need to be resolved at year-end.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE
The audit has sought to provide assurance over the following key risk: "Non-compliance with key financial controls".

GOOD PRACTICE IDENTIFIED

SCOPE
This is an annual review of key controls. In agreement with the Head of Internal Audit, this year, the audit scope covered Accountancy Services, Accounts Payable, Accounts Receivable and Income.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	1	0

Recommendation	Priority	Implementation Time
Evidence to be retained of all checks undertaken when verifying the validity of requests to change supplier bank details.	2	30/04/2025
Invoices without purchase orders to be authorised in accordance with the authorised signatories list, and any deviation from this should not be accepted by Finance.	3	30/04/2025

Executive Summary - NN2515 Civica Finance System

OVERALL ASSESSMENT

KEY STRATEGIC FINDINGS

A Data Protection Impact Assessment (DPIA), screening or full, has not yet been conducted. The data contained within the application may not be sufficiently protected as a result.

Record of Processing Activity (Article 30) submissions and the GDPR Contact List are not up to date. Keeping these details up to date is a legal requirement.

There is currently no collection of user feedback in relation to the Finance system user experience. Without such feedback, system issues or improvements may not be addressed.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The objective of the audit is to provide assurance on the adequacy, effectiveness and efficiency of the systems and controls in place to manage the Council's Finance system.

GOOD PRACTICE IDENTIFIED

SCOPE

Assurance on the governance of applications (user access and sign on, role set up, Admin role, connections to the network, user account mgmt., change control, system resilience and recovery, support arrangements etc).

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	2	0

Recommendation	Priority	Implementation Time
To ensure that the Record of Processing Activities submissions are updated for Finance and across the organisation. This should also involve updating the GDPR Contacts List.	2	30/08/2025
To ensure that a Data Protection Impact Assessment screening, and if applicable, a full DPIA is completed for the Finance system.	3	31/08/2025
To ensure that feedback from users is collected and utilised. This process should include the capture of user feedback, data from feedback reviewed and fed back to Civica in the form of change and development requests.	3	31/08/2025

Executive Summary – NN2509 Waste Management Contract with SERCO

OVERALL ASSESSMENT

KEY STRATEGIC FINDINGS

<u>Garden Waste</u>

The Council is currently in the process of conducting a data cleanse of all its Garden Waste records. This is to identify those customers who have paid, those who are still receiving collections but showing as having not paid and those that have previously given notice to cancel their subscription but are still showing as "active" and who may or may not still being in receipt of collections and/or still showing on Serco's collection records. This is being conducted to ascertain an accurate baseline of current customers and their subscription status. Once complete, a formal reconciliation will need to be undertaken between the Council's records and those on Serco's system (Whitespace), to ensure that only customers that have paid continue to receive collections and bins are/have been collected from any non-payers.

Consequently, assurances could not be given that the Council is paying SERCO for collections that should have been cancelled.

Initial figures provided to indicated that there were 1,076 non-paying "active" customers (943 Direct Debit and 133 non-Direct Debit) still receiving Garden Waste collection services. This was subsequently updated during the audit fieldwork which highlighted that the original figures were inaccurate due to a script error for the 2023/24 financial year's records. This was subsequently rectified. Most recent figures provided indicated that there were 1,043 "active" customers (919 Direct Debit and 124 Non-Direct Debit) with some of these cases/collections dating back to 2018.

The Council has, since mid-March 2025, been pursuing any outstanding legacy payments when requesting payment of subscriptions for 2025/26. Early feedback includes customers advising that they had moved and or cancelled their collections previously, with the Council's records not actually reflecting this. Hence, it would be beneficial for the Council to data match its garden waste system with either Council Tax records or the Electoral Register to ensure customer records are accurate before requesting payment of older 'debts'. Where legacy nonpayers are identified, a decision needs to be made as to how far back recovery action should be taken and also to offer payment plans for recovery of any outstanding payments where customers are unable to pay the full amount, but who still wish to subscribe to the service.

The Council submitted a savings bid for 2024/2025 budget, predicting growth in its garden waste service, with additional fee income of anticipated of £50k. The budget report for period 12 identified a shortfall in annual income for garden waste collections of £77,677.07 which includes not having achieved the anticipated £50k growth prediction; essentially equating to a net shortfall minus the growth of £27,677.07. Staffing challenges within the team was a contributory factor cited to audit for having not met the increased growth.

Garden waste income is monitored as a part of the Council's budget monitoring processes. However, there is a need for more detailed monitoring of actual income against budget for the garden waste service in order to promptly identify any potential shortfalls so that the reasons why can be determined; some of which could be attributed to issues in the administration of the service referred to in this report.

A new Environmental Services Manager commenced on 17th March 2025 with the previous postholder having left in January 2024. The Environmental Health Support Manager commenced in post in September 2024.

<u>Commercial Waste</u>

The Council is in the process of identifying a system to better suit the needs of the service to replace the M3 system. A data back-up will need to be undertaken for historic data to ensure there is no loss of historic customer records during the transition into a new system.

Audit testing was unable to confirm if contracts/agreements were in place for commercial waste customers. System issues were identified due to the M3 system subscription ending which has caused restrictions to accessing information for longstanding customers. These cases dated back with the oldest in 2007, with error messages showing when attempting to access the agreements. It was agreed with the Assistant Director – Environment and Leisure Services, that, with the introduction of the new food waste collection service, customers will be asked to complete new contracts with copies retained. Any customers excluded from the food waste collection scheme will be requested to complete new contracts as existing contracts become due. This is to make best use of resources in resolving the aforementioned contract issues.

Documented procedures/guidance are not in place for both Commercial Waste and Garden Waste services which include processing of new or cancelled customers, amendments to customers, management of systems (Interface, M3, and Whitespace), maintenance of contracts/agreements, invoicing/income collection, and debt recovery processes.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Council's management of commercial and garden waste services, including oversight of customers, invoicing, and debt recovery processes.

GOOD PRACTICE IDENTIFIED

SCOPE

The audit sought to seek assurance that contract with SERCO is being managed effectively and that processes in place for income collection and monitoring are robust for trade and garden waste.

ACTION POINTS

Urgent	Important	Routine	Operational
2	5	1	1

Recommendation	Priority	Implementation Time
The Council to: • Carry out a data check / reconciliation between the Council Tax / electoral register systems and garden waste Interface system to that the garden waste records are correct in terms of occupancy. • Once the above exercise has been completed, undertake a reconciliation between the Council's garden waste Interface system and Serco Whitespace system to ensure both systems agree. • Undertake a full stock check of all garden waste bins to identify non-payers and ensure that their bin has been collect or arrange collection, or set up a new direct debit if the customer wishes to continue with a garden waste collection.	1	01/07/2025
The Council to make a formal decision as to how far back to go to pursue and outstanding garden waste debts taking in to account the cost effectiveness and reputational consequences.	1	01/07/2025
The Council to introduce a structured payment or instalment plan options for customers with outstanding garden waste debts and ensure that these are consistently monitored until debt is paid in full at meetings. (This will be possible with the implementation of recommendation two). Non-payers, whether legacy debtors or those failing to comply with agreed payment or instalment plans, should have their garden waste bins removed until payment is received, or a plan is adhered to.	2	01/07/2025

Recommendation	Priority	Implementation Time
Policy/procedure notes be produced for all aspects of commercial and garden waste services. These notes to be version controlled and reviewed on a regular basis. This is to include: • Processing of new or cancelled customers. • Amendments to customers (frequency of bin collections, bin size, number of bins) • Management of systems (Interface, M3, and Whitespace). • Maintenance of contracts/agreements. • Invoicing/income collection • Debt recovery processes.	2	01/09/2025
Following completion of the data cleansing exercise, the Council to undertake a review of the payment terms for garden waste collections to ascertain whether it is paying Serco the correct fees for the service in accordance with the payment mechanism.	2	31/10/2025
The Council to ensure that a system back up is in place for historic data to be transferred into the new system.	2	31/01/2026
The Council to request new contracts with the introduction of the new food collection service. Any customers excluded from the food waste collection scheme to be requested to complete new contracts as they become due.	2	01/04/2026
Management to ensure that a standing agenda item is to be introduced at both the monthly Serco contract delivery meetings and Council's internal Environmental Services meetings to address garden waste non-payment issues. This is to include discussions around outstanding arrears, service suspensions, and bin recovery actions.	3	01/06/2025

EXECUTIVE SUMMARY – NN2508 Environmental Charter

Based on the work performed during this audit, we can provide overall **limited assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance by Risk Area Table in below.

In arriving at our overall opinion, we acknowledge that the Climate Change Act sets a long-term aspiration for achieving a Net Zero position for the UK by 2050. Our focus within this audit was therefore more directed towards the Council's shorter-term commitment of achieving a position of net-zero carbon emissions across their estate and operations by 2030. Based on the evidence reviewed during the audit we concluded that the current charter and related action plans require refresh to provide confidence as to how this more stretching target will be achieved. This is particularly critical given the fast-changing nature of the internal and external environment faced by the Council.

In addition, to ensure clear accountability and oversight, we concluded that improvements are also required in the robustness of action plans and systems for monitoring progress as currently these do not provide clear evidence of where the Council is in terms of delivering existing and new agreed actions or clear lines of responsibility.

When assessing the Council's direction of travel, we identified that the Council's Carbon Footprint Report 2023/24 states that the Council's footprint increased in both 2022/23 and 2023/24. However, the most significant increases in 2023/24 were explained as 'improved calculation and reporting methods. Refinements in the methodology for calculating the carbon emissions have led to improved accuracy resulting in higher calculations for certain services. The Council has also increased its property portfolio by purchasing additional houses to provide more temporary accommodation'. As the audit took place in quarter 4 of 2024/25, we were unable to assess whether actions taken during 2024/25 have allowed the Council to reduce their overall footprint as it was too early for the data to be available.

The above highlights the challenging and ambitious nature of the Council's aspirations and therefore re-enforces the need for close oversight on the progress and achievements of key projects to support the future Net Zero position.

In respect of our limited assurance opinion, we therefore highlight that this reflects an assessment of the arrangements in place at the time of our audit fieldwork. We were satisfied that officers have started the work required to review and strengthen existing arrangements, this including an initial workshop held in January 2025 to review the current strategy. Should management complete the planned activities, we would be confident that an improved level of assurance could be provided on the Council's plans and structures to achieve this.

During the audit we identified the following system strengths that support delivery of the overall objectives.

- An appropriate governance framework was in place.
- The Charter and Net Zero Strategy and Action Plan had been appropriately approved and are accessible on the Council's website.
- The Council monitors and reports its carbon emissions via the annual Carbon Footprint report (calculated via the Local Government Association tool).
- Key decision reports have been amended to include a section on 'Net Zero Target' where key decision papers are required to highlight the impact of proposals on the Council's Net Zero aspirations. It will be critical for these to be robust to support decision making.
- The Decarbonisation Oversight Board, which first met on 15 July 2024, meets bi-monthly and has responsibility for the development and delivery of the Net Zero Strategy, including progress and delivery of funded key projects, with any concerns being reported to the Corporate Leadership Team and Cabinet as necessary.

However, we observed that there were a number of areas where governance arrangements and the internal control environment required improvement. Summarised below are the key findings arising from the audit.

- A new corporate plan has been adopted since the Net Zero Strategy and Action Plan was written. This requires a review of the Net Zero Strategy and Action Plan to ensure that the "golden thread" is clear.

- Management recognised that both the Charter and Net Zero Strategy require a refresh, and the Action Plan was outdated (covers the period 2022-2024); therefore, it did not provide for completed actions to be noted/removed or new actions to be considered and added. The corporate risk record for 'Not achieving the Net Zero 2030 Target' did not include an 'action' to complete the review of the Net Zero Strategy and Action Plan.
- Progress monitoring was unclear as it related to ad hoc projects rather than the overall Action Plan, and the absence of a robust action tracker meant there was a lack of control and reporting of action plan progress.
- Actions within the Action Plan are not SMART (Specific, Measurable, Achievable, Realistic and Time-bound) and are not assigned to action owners. As a result, there is no clarity over ownership/responsibility in delivering the programme of tasks. However, discussions with officers confirmed that the Council has been progressing projects that contribute to net zero.

Risk Area	No	Limited	Reasonable	Substantial
Governance – The Council has a clear Environmental Charter and associated Net Zero 2030 Strategy and Climate Action Plan, which has been appropriately approved, reviewed, and published, and there are governance structures in place to support oversight of the delivery of the these.				
Action Plan – Actions within the Climate Action Plan support the delivery of key objectives within the Environmental Charter and Net Zero 2030 Strategy, have realistic targets and timescales and have clearly allocated action owners.				
Key Performance Indicators (KPIs) and Data Quality – KPIs reflect key elements of the Environmental Charter and Net Zero 2030 Strategy. Data quality is consistent and reliable, and management information is subject to appropriate checks to confirm accuracy.				
Reporting – There is appropriate and timely reporting to project board, Corporate Leadership Team, the Portfolio Holder, and Cabinet on Action Plan progress and of achieving the Council's Net Zero Target by 2030.				

Overall - LIMITED				

Recommendation	Priority	Implementation Time
1) The Action Plan is updated and refreshed annually. 2) Overall deliverables or objectives to be achieved in the Action Plan are included and clearly indicate the actions required. Deliverables should be RAG rated and prioritised (for example, RAG rating high priority projects/tasks, including those with high carbon savings) and related actions should be SMART (Specific, Measurable, Achievable and Time-bound) so that progress can be monitored and reported. 3) Deliverables be assigned to a senior lead officer and appropriate evidence held of actions being assessed in terms of cost and resource requirements. 4) The Council ensures there is a clear 'golden thread' between the Net Zero Strategy, Corporate Plan and Service Plans, thereby ensuring that climate aspirations are fully embedded into strategic and operational planning and decision making.	2	31/10/2025
1) A tracker is produced to monitor overall progress of the Action Plan, listing each action with the current status (for example, not yet started; in planning; in progress; completed, etc), issues, risks and revised target dates. 2) Completed actions are moved to a separate page/section so that focus remains on outstanding actions.	2	31/12/2025
Management to: 1) Define the reporting path for monitoring of Action Plan progress, including those actions that have not progressed as expected. 2) Provide regular Action Plan progress updates to the Portfolio Holder.	2	30/09/2025

Page 85

Recommendation	Priority	Implementation Time
1) The Charter and Net Zero Strategy are refreshed / updated and approved as soon as possible. 2) Review the Net Zero Strategy and Action Plan on an annual basis, looking two years ahead, as per the Net Zero Strategy. Alternatively, consideration should be given to separating the Action Plan from the Net Zero Strategy and different review periods applied (for example, the Net Zero Strategy is reviewed every other year and the Action Plan yearly). 3) The length of the Net Zero Strategy and Action Plan document is reduced where possible, for example, by using flow diagrams and moving some sections to appendices. 4) The risk owner ensures that regular reviews of the climate risk entry are undertaken, including that all relevant controls are in place or mitigating controls actioned. Recommendations made in this audit should also be included in the risk review.	2	30/09/2025
1) A set of targets should be introduced for the overall reduction in carbon emissions each year, this allowing the Council to more effectively monitor that it remains on track to achieve a Net Zero position by the target date. 2) Evidence of the quality checks undertaken on emissions for inclusion in the annual Carbon Footprint Report are retained and where error rates are high, the number of sample checks should be increased proportionately.	2	30/09/2025
We recommend that the Decarbonisation Oversight Board introduce an action tracker, including target dates, and this is reviewed at each meeting.	3	31/07/2025
We recommend that Management should ensure the importance of providing appropriate and timely data is understood by those key services/contractors where data has not been received as expected/required.	3	31/10/2025

Executive Summary – Assurance Review of NN2512 Section 106 Arrangements

OVERALL ASSESSMENT

KEY STRATEGIC FINDINGS
There is a lack of end-to-end process documentation covering, for example, Section 106 (s106) application processing and recording, obligation monitoring, awareness of available funds and use of available monies has contributed to the control weaknesses found. Additionally, a deputy has not been trained to ensure effective continuity of the s106 operation in the absence of the Section 106 and Infrastructure Levy Officer, a key role.
On receipt of a planning application, the Development Management Team Leaders recommend the various consultations that should be undertaken as part of the planning process, some of which are legally required. However, due to a lack of formal procedure, it was not possible to determine whether all required consultations had actually taken place. .
The Eastlaw legal Team has delegated authority to sign-off s106 applications on behalf of the Council and should distribute the finalised copies to necessary Council officers. However, there is a lack of a consistent distribution process, and we were informed that instances have arisen where copies have not been received by all relevant parties.
There is no documented process for recording the stages of housing developments to identify when a s106 agreement obligation is due, with Council being reliant on developers to notify the Council when obligation dates have been reached. Additionally, there is no record of obligation dates that have passed but monies due not collected. There is also a lack of intelligence sharing across various parts of the Council, such that information obtained on the progress of housing developments may not always be visible to all interested parties and particularly when obligations are reached.
The Exacom database has been introduced to enhance control and visibility over s106 applications. At the start of the audit, Exacom was incomplete but considerable progress has been made by the Section 106 and Infrastructure Levy Officer in inputting s106 agreements. In March 2025, there remained a need to input s106 agreements completed in the previous six months.

Considerable progress has also been made in ensuring the accuracy of Exacom s106 financial records. At the start of the audit, Exacom contained no expenditure data and, consequently, the reported value of monies available to spend of c£4m was significantly overstated (in March 2025, the accurate figure was c£1.7m). All monies spent have now been input into Exacom and, where possible, allocated to projects, although there is a need to action pre-2012 legacy amounts.

At the start of the audit, there was a lack of visibility across the Council of available funds to potentially spend on projects. The focus placed on ensuring the accuracy of the Exacom figures allowed complete and accurate figures to be distributed, and in February 2025, the Section 106 and Infrastructure Levy Officer notified key Council management, together with a few Parish Councils, of the availability of funds totalling c.£1.7m.

The public facing module of Exacom, accessed via the public NNDC website, is inaccurate which could cause reputational damage as it is misleading. For example, at 09/04/25, the available amount to spend on projects was reported as c£4.1m, as opposed to the actual c.£1.7m.

Monies received by developers often have a deadline date by which they must be allocated and / or spent. Failure to do so may require the monies to be returned to the developer, potentially together with interest, dependent on the terms of the s106 agreement. Audit testing identified c£950k of unspent available amounts that had exceeded their "spend deadline" date, as per Exacom records, although the total amount has yet to be fully determined by management. Since issue of the draft report, and following further management investigation, this figure has now reduced to circa £51k relating to four cases of which £37,288.39 are "Amount of contributions with passed spend by dates but awaiting grant request applications, to spend money (imminent)" and £13,500.00 relate to "Amount of contributions with passed spend by dates but with uncertainty of how it will be spent". The significant reduction in reported unspent amounts is due to monies received being allocated to projects (i.e. "spent") post-audit testing, with Exacom updated to accurately report the current position.

The Section 106 and Infrastructure Levy Officer and Finance Team currently maintain independent spreadsheets to record s106 receipts and payments. Exacom will replace the Section 106 and Infrastructure Levy Officer's spreadsheet, but it does not interface with the Civica finance system, requiring continued maintenance of separate records and necessary reconciliations. This is labour intensive and more prone to discrepancies between key records.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The audit sought to provide assurance over the application processes, receipt and use of monies in relation to s106 agreements.

GOOD PRACTICE IDENTIFIED

The Section 106 and Infrastructure Levy Officer has been in post since February 2023 and plays a key role in the effective operation and control of the s106 process, including liaison with Finance. There has been a positive direction of travel in the s106 process since the commencement of the audit, driven by the Section 106 and Infrastructure Levy Officer.

SCOPE

Assurance on the processes regarding applying for, receipt of, and spend of monies in relation to S106 agreements.

ACTION POINTS

Urgent	Important	Routine	Operational
1	8	1	0

Recommendation	Priority	Implementation Time
To review all unspent available amounts that have exceeded their "spend deadline" dates and take appropriate action in accordance with the s106 agreements.	1	30/09/2025
To promptly develop authorised, version controlled, end to end process documentation and Exacom user guides.	2	31/12/2025
To ensure that a deputy is fully trained to facilitate effective cover in the absence of the Section 106 and Infrastructure Levy Officer.	2	31/12/2025
To ensure that, for each planning application, evidence is retained to confirm that all necessary consultations have been undertaken especially before the s106 agreement is signed.	2	30/09/2025
To develop a consistent and effective method of distribution for finalised s106 agreements, ensuring that all relevant parties receive a timely copy (for example, via an electronic version of the documents which could be distributed once to all relevant parties).	2	30/06/2025

Recommendation	Priority	Implementation Time
To ensure that: - S106 agreements include a requirement for developers to notify the Council when a development commences and when key obligations are met; - Intelligence across the Council be improved regarding housing developments (e.g., affordable housing, play areas); - Developers complete an annual return on each site with a s106 agreement, detailing work undertaken and progress against each obligation. - Exacom accurately reflects due obligations and is used to proactively ensure that obligation payments are invoiced at the due date.	2	31/12/2025
To ensure that: - Exacom completely and accurately records all s106 agreements; - Appropriate action is promptly taken for pre-2012 agreements so that monies received and currently reported as being 'available' to spend on Exacom can be allocated to the appropriate project.	2	31/12/2025
To develop regular reporting of available s106 funds to appropriate key management and Parish/Town Councils.	2	31/12/2025
To ensure that the publicly available Exacom module on the NNDC website is complete and accurate regarding the amount available to spend on projects.	2	30/09/2025
To ensure that: - Regular, evidenced, reconciliations take place between the Section 106 and Infrastructure Levy Officer and the Finance Team's s106 records; - An Exacom to Civica interface is investigated. - Finance to be provided with access to Exacom.	3	30/09/2025

EXECUTIVE SUMMARY – NN2504 Commercial Estates

Design Opinion		Reasonable	**Design Effectiveness**		Reasonable	**Recommendations**	0	5	0

Areas of Concern

- The Estates team operates without a formal policy and procedure note for rent setting. **(Finding 1, Medium)**
- There is no formal policy or standard for advertising vacant properties, resulting in a case-by-case approach without a specific timeframe or benchmark to ensure consistency. **(Finding 2, Medium)**
- Our review of a sample of ten tenancies found two exceptions. In one sample, an overlapping period across two invoices resulted in a rent over-charge. In another sample, a tenant was not billed for the last three quarters of 2023/24 until March 2025. (Finding 3, **Medium**)
- The Council was unable to evidence that statutory compliance checks had been carried out for two out of ten properties in our sample test. In addition, we found that the Council does not conduct regular checks to ensure tenants are fulfilling their responsibilities to maintain properties in good condition. **(Finding 4, Medium)**
- Our discussion with the Estate and Asset Strategy Manager found that the team's reduced capacity, now operating with two members instead of five, affects their ability to manage essential tasks like setting rental prices and conducting rent reviews, delaying property listings. The reduced capacity also affects their ability to review service charges on a timely basis, delaying income collection. **(Finding 5, Medium)**

Areas of Strength

- The Estates team adheres to RICS principles, using a retail approach for new lettings that factors in location, market demand, and comparables, alongside economic indices like CPI and RPI to ensure fair and responsive rent setting.
- The Concerto system is effectively used to alert the team to upcoming rent reviews, and property data is well-maintained with annual spot checks to ensure accuracy.
- Budget setting is a collaborative annual process with the Property Services Team and Council accountant, supported by monthly monitoring and formal biannual review meetings using detailed financial reports.
- Clear KPIs guide the management of Commercial Estates, with monthly arrears reports and meetings ensuring timely action. The Estates team follows an up-to-date debt recovery policy, including structured payment plans and legal escalation when necessary.
- Tenancy properties are advertised promptly with documented applicant selection, tenancy agreements clearly define responsibilities, and a comprehensive property register supports effective estate oversight. Responsibilities for the maintenance and repairs, including statutory compliance checks, are clearly outlined in tenancy agreements.

Added Value

Data analytics was performed on the profile of the leases to identify the number of expired leases, the year that the lease expired, and the annual value of the expired leases. Observations were provided as part of the full report.

This information demonstrated that there are some leases that have been expired for a long period of time, resulting a loss of rental income for the Council. Explanations were provided for these delays, which included the Estates team capacity issue noted above.

Conclusion

- We conclude Reasonable assurance over the design of controls in commercial estates management and Reasonable assurance over their operational effectiveness.

  Design

- The control design is moderate as there are appropriate procedures in place for budget setting, performance monitoring, invoicing and debt management. However, there is no formal policy and documented procedures for rent setting and defining timeliness of renting vacant properties. In addition, there is limited capacity in the Estates team, and no regular checks completed on tenants' maintenance responsibilities.

  Effectiveness

- The control effectiveness is moderate as there is evidence of non- compliance with some controls, that may put some of the system objectives at risk. Our sample testing identified a small number of invoicing errors, and the Council was unable to evidence that statutory compliance checks were carried out for all the sampled property leases

Recommendation	Priority	Implementation Time
The Estates team should monitor the completion of the Commercial Property Strategy and ensure that a formal policy and procedures for rent setting are included. The Strategy should outline the principles guiding rent setting, such as market demand, location, and economic indices like CPI and RPI. The policy should also specify the required procedures, including discussions and approvals necessary for setting rent. This would standardise the approach across all tenancies, ensuring that all rent setting decisions are made with a clear understanding of the necessary steps and considerations, enhancing accountability and clarity in the process.	2	10/10/2025
The Estates team should monitor the drafting process of the Commercial Property Strategy and ensure that clear standards and time frames for advertising vacant properties are included to ensure consistency and efficiency.	2	10/10/2025
1. The Estates team should conduct regular audits or spot checks of the rent invoicing process to help identify and rectify any discrepancies. 2. The Estates team should issue a refund to correct the error related to the overlapping period in the invoice for UPRN 954, Office 4.	2	08/05/2025
1. The Council should Implement a regular inspection schedule to assess tenant compliance with maintenance responsibilities. This will help identify issues early, allowing for timely intervention and reducing long-term repair costs. 2. The Council should check if a compliance check has been completed for two samples (UPRN 1689, UPRN 5005) where we could not obtain evidence.	2	01/08/2025
The Council should assess capacity issues and resource availability to ensure they are sufficient, thereby minimising delays in property listings.	2	31/10/2025

Outstanding Recommendations by Year Appendix 3

2021/22

Recommendation	Priority	Owner	Due Date	Revised Due Date	Latest Response
NN2202 Key Controls and Assurance					
North Norfolk DC to ensure it receives 40% of income from the issuing Penalty Charge Notice (PCN) as per the terms of the contract with Council of Kings Lynn & West Norfolk and this can be clearly evidenced.	Important	N/A	25/5/22	30/06/25	A new approach to address this outstanding recommendation could be investigated with KL&WN. A suggestion is that we ask for a report of the record of the PCNs issued which should be sequentially numbered which details what has happened with each and then we should be able to reconcile income received back to this list.
NN2214 Environmental Health					
The Council to ensure that all licence fee income has been correctly accounted for and that there is agreement between Assure and eFinancials.	Important	Environmental Services Manager and Public Protection & Commercial Manager	30/6/22	30/06/25	A review is required, as a monthly process of reconciliation is now occurring. The review will ensure that the process is fit for purpose and robust and if so then the recommendation will then be signed off.

2023/24

Recommendation	Priority	Owner	Due Date	Revised Due Date	Latest Response
NN2412 Land Charges					
Reconciliations between land charge records and the general ledger to be completed on a monthly basis and be independently reviewed with evidence of sign off from the reconciling officer and independent reviewer retained.	Important	Planning Support Leader	30/3/24	31/06/25	May 25: Working with IT on automating bank reconciliations.
NN2403 Key Controls and Assurance					
Amendments to Inhibits on the monthly CTAX/NDR Inhibit Reports to be reviewed to ensure that recovery is only suspended for valid reasons and is not left on indefinitely.	Important	Revenues Manager	24/4/24		May 25: No update given for this recommendation. The Revenues Manager disagreed with the recommendation initially. The Auditor will have another conversation with this person to either close the recommendation or agree another implementation date.
NN2415 Post Implementation – Finance System Review					
The Council to review the outstanding functionality not yet implemented with a view to making decisions about which of these remain a priority and which are not. This to be supported by a formal minuted decision, implementation plan and roadmap with supporting financials and clear milestones to be monitored for progress on an ongoing basis.	Important	Chief Group Accountant	01/11/24	30/06/25	May 25: With decisions being made not to proceed with the remaining modules, a formal project review can be undertaken in due course.

2024/25

Recommendation	Priority	Owner	Due Date	Revised Due Date	Latest Response
NN2506 Private Sector Housing - HMOs, private rental enforcement and empty homes					
The Council to review and update the Environmental Health Department Enforcement Policy and Housing Health and Safety Rating System (HHSRS) Operating Procedure to ensure they reflect current standards, best practices and comply with the Housing Act 2004.	Important	Assistant Director Environmental and Leisure Services	31/1/25	30/06/25	Conversations have been held between AD for Place and AD for EH. Plan to move to one corporate enforcement policy. Corporate Enforcement Policy does already exist, no review date on policy, but will look to review in coming months.
The Council to establish regular monitoring and oversight mechanisms for its regulatory requirements under the Housing Act 2004, including:- Enforcement actions / decisions- Monitoring of Category 1 Hazards- HMOs- Regulatory updates / actions. Where this is already in place, it is advisable to formalise the process with written agendas, minutes and action plans. Additionally, a formal process should be introduced to keep Members informed of any significant enforcement actions, including financial penalties issued against landlords, to help ensure consistency, transparency, accountability and oversight.	Important	EP Team Leader	1/12/24	31/03/25	May 25: No further update received. Previous update below. AD for Env & Leisure to discuss with newly appointed EP leader the best way of monitoring case progress and once this has been established this will be implemented.
The Council to produce a formal HMO (House in Multiple Occupation) Policy that aligns with the Council's requirements as specified in Part 2 of the Housing Act 2004, particularly sections 61 and 62. This policy will	Important	EP Team Leader	1/4/25		May 25: No further update received. Previous update below. AD for Env & Leisure met with Senior EP Officers to discuss audit recommendations and the work required to

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Recommendation	Priority	Owner	Due Date	Revised Due Date	Latest Response
consolidate related information into a single document, with appropriate links to supporting documentation. In support of this recommendation, all policy and procedural documentation should include issue and review dates to ensure that the information remains current and accurate.					bring policies up to date. Timetable and action plan has been developed and officers are working their way through the policies with the aim of achieving the 1st April deadline.
The Council to develop and implement policies, procedures, and guidance that clearly outline its responsibilities under the Smoke and Carbon Monoxide (England) Regulations 2015, as amended by the 2022 Regulations including the 21 Day and 28 Day requirements for Smoke alarms and Carbon Monoxide Alarms. Additionally, the Council to establish a proactive inspection programme to ensure ongoing compliance with these regulations.	Important	EP Team Leader	1/4/25		May 25: No further update received. Previous update below. AD for Env & Leisure met with Senior EP Officers to discuss audit recommendations and the work required to bring policies up to date. Timetable and action plan has been developed and officers are working their way through the policies with the aim of achieving the 1st April deadline.
Management to ensure that all policy or procedural documentation, including flowcharts, includes a version control table to include owner, review date and cycle time. In addition, implement a timetable for reviewing policies (and processes) to ensure they are regularly and promptly updated where applicable.	Important	EP Team Leader	1/4/25		May 25: No further update received. Previous update below. AD for Env & Leisure met with Senior EP Officers to discuss audit recommendations and the work required to bring policies up to date. Timetable and action plan has been developed and officers are working their way through the policies with the aim of achieving the 1st April deadline.

Recommendation	Priority	Owner	Due Date	Revised Due Date	Latest Response
NN2513 – Cyber Security					
Three important recommendations are past their due date and have revised dates agreed. All are in progress with some taking a little longer to fully implement due to other work commitments.					

Definitions

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed, and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed, and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.
Position Statement	Advisory work.

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important - Priority 2	Control issue on which action to implement should be taken within 3 months.
Routine – Priority 3	Control issue on which action to implement should be taken within 6 months.

OEMs are Operational - Effectiveness Matter. These can be proposed, and these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

Agenda Item No_____________

Internal Audit Annual Opinion & Report 2024/25

Summary: This report concludes on the Internal Audit Activity undertaken during 2024/25, provides an annual opinion concerning the Council's framework of governance, risk management and control, concludes on the effectiveness of internal audit and provides key information for the Annual Governance Statement.

Conclusions: The Head of Internal Audit is able to give a reasonable / limited opinion on the framework of governance, risk management and control overall at North Norfolk District Council. Improvement in the control environment is needed.

Recommendation: That the Committee is requested to: -

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2025.
- Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2024/25.
- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Teresa Sharman 01603 430138 teresa.sharman@southnorfolkandbroadland.gov.uk

1. Background

1.1 The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS).

1.2 This report should include the following: -

- An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS;
- A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies;
- An overall summary of the performance of the Internal Audit Service against its performance indicators; and
- The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards.

1.3 The purpose of this report is to satisfy this requirement.

2. Overall Position

2.1 The attached report contains the annual opinion of the Head of Internal Audit and the outcomes of Internal Audit performance measures and QAIP

3. Conclusion

3.1 Having considered the audit work for 2024/25 for the Council, the Head of Internal Audit is able to provide **Reasonable / Limited Assurance** in relation to the framework of risk management, governance, and internal control. The opinion reflects the potential direction of travel in the control environment at the Council based on the information outlined in the attached report; therefore, improvement in the control environment needs to be demonstrated over the next audit year.

3.2 The overall performance status at the time of writing for the main Contractor performing internal audit for the Council is '**red**'. This could move to 'amber' as the last reports are finalised across the Consortium. (KPIs are measured Consortium wide.) Action to improve performance is detailed in the attached report.

3.3 Regarding the QAIP, the service is compliant with internal audit standards as per the external quality assessment in October 2022 and a review of compliance with the new Global Internal audit Standards is still progressing.

4. Recommendation

1) That the Committee is requested to: -

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2025.

- Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2024/25.
- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

Appendices attached to this report:

Appendix A – Annual Opinion Report 2024/25

EASTERN INTERNAL AUDIT SERVICES

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NORTH NORFOLK DISTRICT COUNCIL

Internal Audit Annual Opinion & Report 2024/25

Head of Internal Audit: Teresa Sharman

Contents

Summary: Internal Audit Work 2024/25

15
Audits in 2024/25 Audit Plan

6
Urgent Recs Raised

49
Important Recs Raised

25
Routine Recs Raised

4
OEMs Raised

Assurance opinions issued in year	
Substantial	2
Reasonable	8
Limited	5
No	0

19 outstanding recommendations at year-end.

Oldest – 3 important ones from 2021/22

Head of Internal Audit's Opinion 2024/25 - Reasonable / Limited

- Substantial
- Reasonable
- Limited
- No

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Executive Summary

Purpose	The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS). This report should include the following: - • An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment. • Disclose any qualifications to that opinion, together with the reasons for the qualification. • Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies. • Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS. • A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies. • An overall summary of the performance of the Internal Audit Service against its performance indicators. • The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards. The purpose of this report is to satisfy this requirement, and Members are asked to note its content.

Background	The Internal Audit Service for the Council is provided by the Consortium, Eastern Internal Audit Services, hosted by South Norfolk Council, which utilises the services of a main contractor, TIAA Ltd. In 2024/25, two

	other contractors were utilised for some of the quarter 4 audits across all councils in the Consortium, the Shared Internal Audit Service at Hertfordshire County Council and BDO LLP. All audit work is completed in accordance with the Global Internal Audit Standards and the CIPFA Local Government Application Note 2025. Internal audit provides an independent and objective opinion on the Council's internal controls by evaluation their effectiveness and operation in practice.

Scope of Responsibility	The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. This opinion statement is provided for the use of the Council in support of its AGS for the year ended 31 March 2025.

Head of Internal Audit Annual Opinion Statement	**Opinion** **In summary: -** I have considered the audit work for 2024/25 for the Council and am able to provide **Reasonable / Limited Assurance** in relation to the framework of risk management, governance, and internal control. My opinion reflects the potential direction of travel in the control environment at the Council based on the information

outlined in this report; therefore, improvement in the control environment needs to be demonstrated over the next audit year.

In detail: -

My opinion is based on the audit work completed in 2024/25, and the relative materiality of the issues arising from audit work as well as management's progress in addressing any control weaknesses identified. There are some areas which require the introduction or improvement of internal controls to ensure the achievement of the Council's objectives where limited assurance was provided, and urgent recommendations made.

In arriving at my overall annual opinion: -

- Reliance has not been placed on any third-party assurances.
- I have considered management's progress with addressing outstanding recommendations from previous years as detailed below.
- I have considered the outcomes of all audits completed in 2024/25, particularly, the five 'limited' assurance opinions as detailed below.

Limited opinions

Five limited assurance opinions have been issued in 2024/25 and key control weaknesses were identified as detailed below. Any control weaknesses represent unresolved risks and should be considered for inclusion within the Council's Annual Governance Statement where the recommendations to address these remain outstanding at year end.

Private Sector Housing (Final report issued September 2024)

Details of the six important recommendations are detailed below. The Council needs to: -

- Review and update the Environmental Health Department Enforcement Policy and Housing Health and Safety Rating System (HHSRS) Operating Procedure to ensure they reflect current standards, best practices and comply with the Housing Act 2004.
- In accordance with the Housing Act 2024, develop a proactive inspection program to identify any private sector rental properties with category 1 hazards, focusing on known recurring non-compliant properties first. *(This recommendation was not agreed by management who acknowledges that legislation states*

there should be a proactive approach, but argues they like most other Councils work on a reactive basis due to resourcing levels)

- Produce a formal HMO (House in Multiple Occupation) Policy that aligns with the Council's requirements as specified in the Housing Act 2004.
- Develop and implement policies, procedures, and guidance that clearly outline its responsibilities under the Smoke and Carbon Monoxide (England) Regulations 2015, as amended by the 2022 Regulations including the 21-day and 28-day requirements for smoke alarms and carbon monoxide alarms and establish a proactive inspection programme to ensure ongoing compliance with these regulations.
- Ensure that all policy or procedural documentation, including flowcharts, include a version control table to include owner, review date and cycle time, and implement a timetable for reviewing policies and processes to ensure they are regularly and promptly updated where applicable.
- Establish regular monitoring and oversight mechanisms for its regulatory requirements under the Housing Act 2004 and introduce a formal process to keep Members informed of any significant enforcement actions.

This all impacts the ability of the Council to understand the state of private sector housing, monitor activity and meet its statutory duties.

The due dates for management action are all to be completed by the end of April 2025; all were outstanding at year-end and only one had a revised due date for post year-end.

Risk Management (Final Report issued October 2024)

Details of the six important recommendations are detailed below. The Council needs to: -

- Develop a formal risk management training programme.
- Finalise its review of the Risk Management Policy and Framework and include best practice.
- Review its risk appetite annually alongside the Corporate Plan and communicate this widely throughout organisation, determine a risk scoring matrix for applying risk appetite in practice to risks, and include the risk appetite for each of the risks on the Corporate Risk Register.

- Ensure the Corporate Risk Register is regularly reviewed by the Corporate Leadership Team (CLT) prior to review by the Governance, Risk and Audit Committee as standard and further improve the format of the Corporate Risk Register by, for instance, putting the corporate objective field first to better align risks to delivery of plans, adding the risk appetite for each risk, adding the gross or inherent risk score, and writing the description of the risk as the risk event, cause and impact of the risk.
- Add a specific operational risk regarding developing and implementing the new performance and risk system as a risk on the register and provide regular reports to CLT on progress.
- Produce risk reports, including a separate annual risk management report, to the CLT and Governance, Risk and Audit Committee, alongside the Corporate Risk Register, to include open and closed risks, risks overdue, movements in risks, thematic review, aggregated low scoring high frequency risks.

These recommendations will improve the risk management framework of the Council.

All the above recommendations have been implemented apart from one which has a due date of June 2025 and relates to the annual risk management report.

<u>Section 106 Arrangements (Final Report issued May 2025)</u>

Details of the one urgent and eight important recommendations are detailed below. The Council needs to: -

- Review all unspent available amounts that have exceeded their "spend deadline" dates and take appropriate action in accordance with the s106 agreements. (Urgent)
- Promptly develop authorised, version controlled, end to end process documentation and user guides.
- Ensure that a deputy is fully trained to facilitate effective cover in the absence of the Section 106 and Infrastructure Levy Officer.
- For each planning application, retain evidence to confirm that appropriate checks have been undertaken to ensure that all necessary consultations have been undertaken especially before the s106 agreement is signed.
- Develop a consistent and effective method of distribution for finalised s106 agreements, ensuring that all relevant parties receive a timely copy.

- To ensure that S106 agreements include a requirement for developers to notify the Council when a development commences and when key obligations are met, intelligence across the Council is improved regarding housing developments, developers complete an annual return on each site with a s106 agreement, and the system used accurately reflects due obligations and is used to proactively ensure that obligation payments are invoiced at the due date.
- Ensure that the system used completely and accurately records all s106 agreements and appropriate action is promptly taken for pre-2012 agreements so that monies received and currently reported as being 'available' to spend on the system can be allocated to the appropriate project.
- Develop regular reporting of available s106 funds to appropriate key management and Parish/Town Councils.
- To ensure that the publicly available system module on the Council's website is complete and accurate regarding the amount available to spend on projects.

The last due date for management action is December 2025.

This all impacts the ability of the Council to manage s106 agreements and funds effectively.

<u>Environmental Charter (Final Report issued May 2025)</u>

Details of the five important recommendations are detailed below. The Council needs to: -

- Update the Climate Action Plan for the Net Zero Strategy making it SMART and include SMART RAG rated deliverables or objectives assigned to senior lead officers and ensure annual refreshers are undertaken. Ensure that there is a clear 'golden thread' between the Net Zero Strategy, Corporate Plan and Service Plans.
- Track overall progress of the Climate Action Plan.
- Define a reporting path for the Climate Action Plan monitoring and provide regular progress updates to members.

- Refresh the Charter and Net Zero Strategy, reducing its length and improving its links with the Council's Corporate Plan and other key plans, and review this annually. Undertake regular reviews of the climate risk.
- Set targets for the overall reduction in carbon emissions each year to allow more effective monitoring of the Net Zero target, and retain evidence of quality checks on emissions included in the Carbon Footprint Report and increase checks where the error rates are high.

The last due date for management action of the above recommendations is December 2025.

This all impacts the ability of the Council to achieve its commitment of net-zero carbon emissions across its estate and operations by 2030.

Waste Management (Garden and Commercial Waste Collections) (Final Report issued May 2025)

Details of the two urgent and five important recommendations are detailed below. The Council needs to: -

- Carry out a data check / reconciliation between the Council Tax / electoral register systems and garden waste Interface system to that the garden waste records are correct in terms of occupancy and reconcile this with the Contractor's system. Then undertake a full stock check of all garden waste bins to identify non-payers. (Urgent)
- Make a formal decision as to how far back to go to pursue any outstanding garden waste debts considering the cost effectiveness and reputational consequences. (Urgent)

The last due date for management action of the above recommendations is July 2025.

- Undertake a review of the payment terms for garden waste collections to ensure the contractor is being paid the correct fees for the service in accordance with the payment mechanism.
- Ensure that a system back up is in place for historic data to be transferred into the new system.
- Introduce a structured payment or instalment plan options for customers with outstanding garden waste debts and ensure that these are consistently monitored until debt is paid in full at meetings.
- Produce policy/procedure notes for all aspects of commercial and garden waste services.

- Request new contracts with commercial waste customers with the introduction of the new food collection service.

The last due date for management action of the above recommendations is April 2026.

This all impacts the ability of the Council to manage waste collection customers effectively and collect all income due to the Council.

Third party assurances

No third-party assurances have been relied upon.

Outstanding recommendations

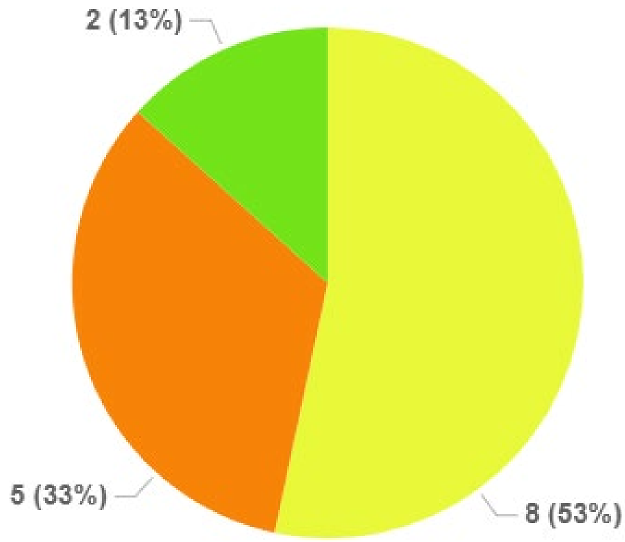
In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end 2024/25 is that 19 recommendations, were outstanding as the table below details which has been accounted for in my overall annual opinion. I noted that management have made considerable progress to implement recommendations in the past few months and no urgent recommendations were outstanding at year-end.

Audit Year	No. Outstanding	No. of Urgent	No. of Important	No. of Routine
2021/22	3	0	3	0
2023/24	6	0	4	2
2024/25	10	0	4	6

The three important recommendations from 2021/22 relate to the Key Controls and Assurance, Environmental Health and Waste Management audits, all of which have revised due dates for June 2025.

Please refer to the separate Internal Audit Progress and Follow Up report June 2025, which shows the details of the progress made to date in relation to the implementation of agreed recommendations, and which also provides an update from management regarding all outstanding recommendations.

Audit Outcomes	Below is the spread of audit opinions across audit work completed in 2024/25. For a detailed summary of audit work completed, please refer to Appendix 1.



Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed, and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed, and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.
Position Statement	Advisory work and Follow Up.

Appendix 2 shows the assurances provided over previous and current audit years to provide an overall picture of the control environment.

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Performance Measures Outcomes

Internal Audit PM Outcomes

At Consortium level – all Councils

Detailed below are the outcomes of Internal Audit's performance measures which relate to the performance of the main contractor delivering internal audits across all the Councils in the Consortium. With only four KPIs met, the overall performance status is is 'Red'.

Overall Performance Status	Red

KPI Ref.	Description	Outcome
Senior Management		
KPI 1	S151, S17 Satisfaction, annual minimum good	Below Expected
Internal Audit Process		
KPI 2	APM issued minimum 20 working days before agreed start date - 90% quarterly	✗
KPI 3	Draft reports issued within 10 working days of fieldwork end date - 95% quarterly	✗
KPI 4	Final reports issued within 5 working days of management responses - 95% quarterly	✗
KPI 5	Quarterly Performance pack reported to the Contract Manager within 15 working days of the end of the quarter	✗
KPI 6	Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received	✓
KPI 7	PSIAS compliance - Deep dive review of files indicates good quality evidence saved on file - 100%. Four files per quarter.	Not completed

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Clients		
KPI8	Average feedback scores from key clients, quarterly minimum average	✗
Innovation and Capabilities		
KPI9	Percentage of recommendations accepted by management 90% overall	✓
KPI 10	Percentage of qualified / experiences staff working on the contract each quarter - 60%	✓
KPI 11	Number of training hours per members of staff completed each quarter - minimum 1 day per quarter	✓

Other than KPI 1, which is measured annually and KPIs 6 and 8 which are measured continuously, all KPIs are measured quarterly.

Please note, this is the overall performance status at the time of writing our report. There are still several reports to be finalised across the Consortium and feedback surveys to be returned. As all KPIs are measured across all clients in the Consortium, if the remaining final reports are issued on time, KPI 4 would turn green, and if the average feedback score for remaining audits was to be 3 or more, KPI 8 could turn green overall; therefore, the overall performance status could turn amber with 6 PIs being met. The table below shows the number of KPIs that need to be met to achieve an overall performance status red, amber or green as per the contract.

9-11 KPIs have met target	
6-8 KPIs have met target	
5 or below KPIs have met target	

KPIs in more detail

Operational KPIs at Council level

The table below shows the outcomes of the operational KPIs 2, 3, 4 and 8 for the Council: -

KPI 2 (Issue of APMs)	KPI 3 (Issue of Drafts)
5 out of 13 on time	6 out of 13 on time
KPI 4 (Issue of Finals)	**KPI 8 (Feedback)**
11 out of 11 on time	8 out of 10 returned

Feedback score	3.1

For KPI 8, the range for the possible scores is, 4 - excellent and 1 – poor with the minimum requirement being 3 - average. Although there were 15 audits this year, no response was received for two of the ten surveys issued; the surveys for the last five finalised audits had been recently issued.

Although for the Council the minimum feedback score was achieved, this KPI is measured across all clients in the Consortium and in this case the average of all the 35 surveys received back out of 55 sent out at the time of writing, was 2.9. *(Note: In total, 55 feedback surveys had been sent out at the time of writing. There are feedback surveys that have been sent out recently / are still to be sent out as reports are finalised for year-end. Therefore, as we detail above, the average of 2.9 overall could change.)*

KPI 7 – PSIAS compliance - deep dive review of files

Regarding KPI 7, compliance with PSIAS deep dive review of files, these have yet to be completed this year, and a sample will be reviewed post year-end. However, the Head of Internal Audit reviews and approves the issue of all APMs, draft and final reports and views all completed work programmes.

KPI 1 S151 satisfaction

	The S151s' satisfaction, KPI 1, was also deemed to be below that expected when reviewed as a collective although only three of the Councils responded. A score of 3 – good, the minimum required, was only assigned by one out of the three S151 Officers, with the other two indicating 2 – average.

Actions to Improve	As the tables above highlight, the Contractor has not met our targets for several of the KPIs this year. **Reasons for poor performance** Performance in 2024/25 was affected by the carried forward audit work from the previous audit year and although another team was assigned to start quarter 1 audits, this did not start until May and progress was slow, with our current team eventually progressing these audits. Delays in audits starting and progressing in year, continue to be for many reasons with both the Councils and Contractor at fault, covering sickness, lack of responses from Council officers to communication from the Contractor, lack of escalation by the Contractor to the Head of Internal Audit or S151s when responses are not received, and audits are delayed and lack of communication from the Contractor when auditor resource issues occur. As a result, the 10% quality payment, which is withheld until the end of the year annually, was adjusted accordingly and not paid in full. **Action to address poor performance** The following action is being taken to improve performance: - • The Contractor has been reminded of their responsibilities in particular to escalate matters in accordance with the Protocol, our 'ways of working together document' issued last year. • As the Contractor does not have exclusivity, the two other contractors engaged with in 2024/25 continue to be used in 2025/26, BDO LLP and the shared internal audit service at Hertfordshire County Council. Both share one half of the overall audit plan across all the councils. • Support auditors have been assigned to our contract to support our current team when there is sickness and delays.

	• A manager has been replaced on the contract. • The contract is due to be re-procured in year five, 2026/27, and some preparation work on this will commence this year.

Quality Assurance and Improvement Programme (QAIP)

QAIP	**What do the Standards say?** The chief audit executive must develop, implement and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme has two elements, internal assessments and external assessments. At least annually, the chief audit executive must communicate the results of the internal quality assessment to the Audit Committee and senior management covering the internal audit function's conformance with the Standards and achievement of performance objectives and plans to address deficiencies and opportunities for improvement. A quality assurance and improvement programme is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement. The Head of Internal Audit is responsible for ensuring that the internal audit function is continuously seeking improvement. This requires developing measures to assess the performance of internal audit engagements, internal auditors, and the internal audit function. These measures form the basis for evaluating progress toward performance objectives including continuous improvement.

Internal Assessment	**What do the Standards say?** The Head of Internal Audit must establish a methodology for internal assessments, that includes ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives, periodic self-assessments to evaluate conformance with the Standards, and communication with the Audit Committee and senior management about the results of internal assessments. An action plan to address instances of nonconformance with the Standards and opportunities for improvement must be developed. **Ongoing monitoring**

This involves the day-to-day supervision, review, and measurement of the internal audit function and is incorporated into ours and our contractor's routine policies and procedures used to manage the internal audit function. Ongoing monitoring is primarily achieved through supervisory reviews throughout audit work and the use of template working papers and documents, to ensure standardisation and consistency in the application of audit work.

Performance measures are in place to determine the efficiency and effectiveness of the internal audit function as reported above. Currently, we are only reporting against these for the main contractor, but several performance measures are being agreed with the two other contractors as part of their contract for the audits they will complete in 2025/26.

Weekly operational and quarterly performance meetings are held with the main Contractor, as will be the case for the other two contractors.

Periodic self-assessments

These enable the internal function to validate its conformance with all the Standards. These evaluate: -

- The adequacy of the internal audit function's methodologies.
- How well the internal audit function supports the achievement of the Council's objectives.
- The quality of internal audit services performed, and supervision provided.
- The degree to which stakeholder expectations are met and performance objectives are achieved.

Results of self-assessment

A self-assessment has not been completed for 2024/25. This is because a wider self-assessment against the GIAS is still being completed by the Head of Internal Audit. Annual self-assessment will recommence once this is completed.

External Assessment	**What do the Standards say?** The chief audit executive must develop a plan for an external quality assessment (EQA) and discuss the plan with the Audit Committee. The EQA must be performed at least once every five years by a qualified, independent assessor or assessment team. **Last EQA** An EQA was carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA) against the previous Standards. The Internal Audit Service received a 'generally conforms' result, with conformance in 60 out of 64 areas (two areas were not applicable, and two resulted in 'partially conforms'). **Progress with actions** One area of partial conformance was highlighted in coordinating and maximising assurance. Within the Strategic and Annual Plans report for the audit year 2023/24 presented in March 2023, an Assurance Map was provided, outlining the then top risks, along with first, second and third lines of assurance. This has not been repeated since. The second area of partial conformance was raised to ensure that all EIAS clients receive an external quality assessment as it falls due on the five-year anniversary. This well be ensured at the five-year anniversary in 2027.

Page 122

Summary of Internal Audit Work 2024/25 Appendix 1

Audit Area	Status	Opinion	Total Recs	Urgent	Important	Routine	OEMs	Qtr
Data Protection	Audit completed	Substantial	3	0	0	3	1	1
Coastal Management	Audit completed	Substantial	0	0	0	0	0	2
Leisure	Audit completed	Reasonable	5	0	1	4	1	2
Applications review: Revenues and Benefits	Audit completed	Reasonable	1	0	1	0	0	2
Early Help Hub	Audit completed	Reasonable	3	0	3	0	0	3
Environmental Protection and Private Water Supplies	Audit completed	Reasonable	2	0	1	1	0	3
Cyber Security	Audit completed	Reasonable	17	3	6	8	1	1
Applications review: Finance System	Audit completed	Reasonable	3	0	1	2	0	3
Key Controls and Assurance	Audit completed	Reasonable	2	0	1	1	0	4
Commercial Estates	Audit completed	Reasonable	5	0	5	0	0	4
Section 106 Arrangements	Audit completed	Limited	10	1	8	1	0	3
Private Sector Housing - HMOs, private rental enforcement and empty homes	Audit completed	Limited	6	0	6	0	0	1
Risk Management	Audit completed	Limited	8	0	6	2	0	2
Environmental Charter	Audit completed	Limited	7	0	5	2	0	4
Waste Management - Commercial and garden waste	Audit completed	Limited	8	2	5	1	1	4

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Grant Certifications	The following grants were certified by EIAS during 2024/25: - • Disabled Facilities Capital Grants P/e 2022/23

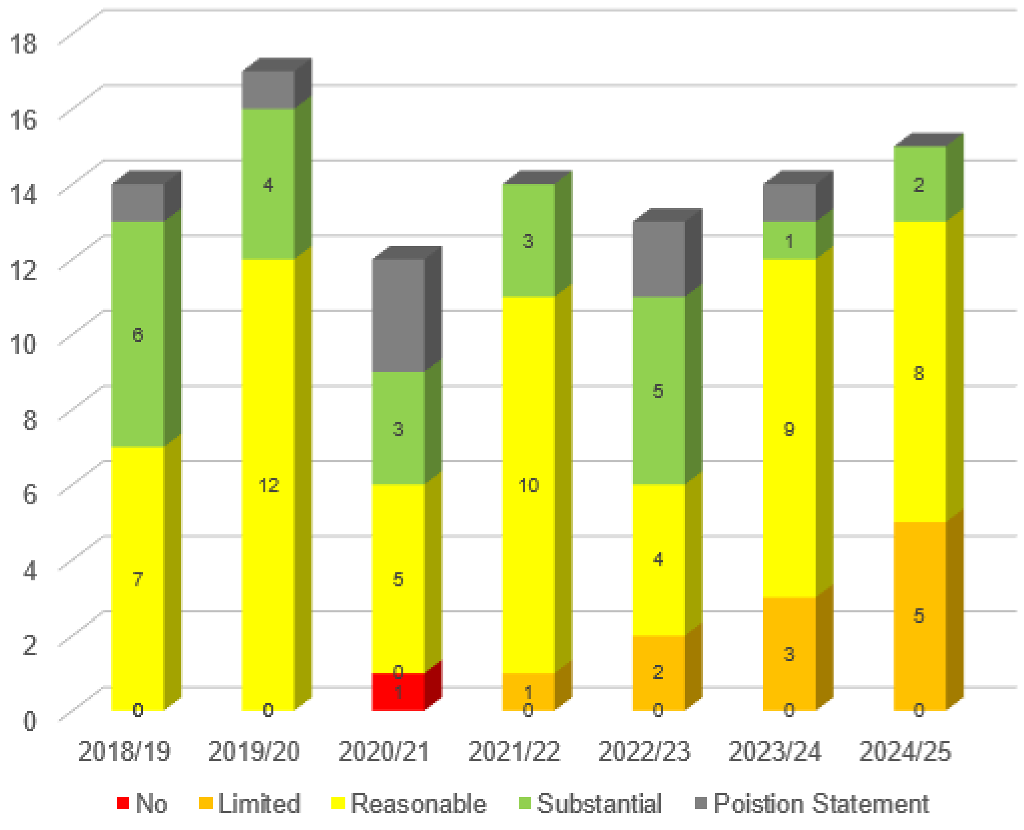
For Your Information: -

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important - Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

(Note: OEMs are Operational - Effectiveness Matter)

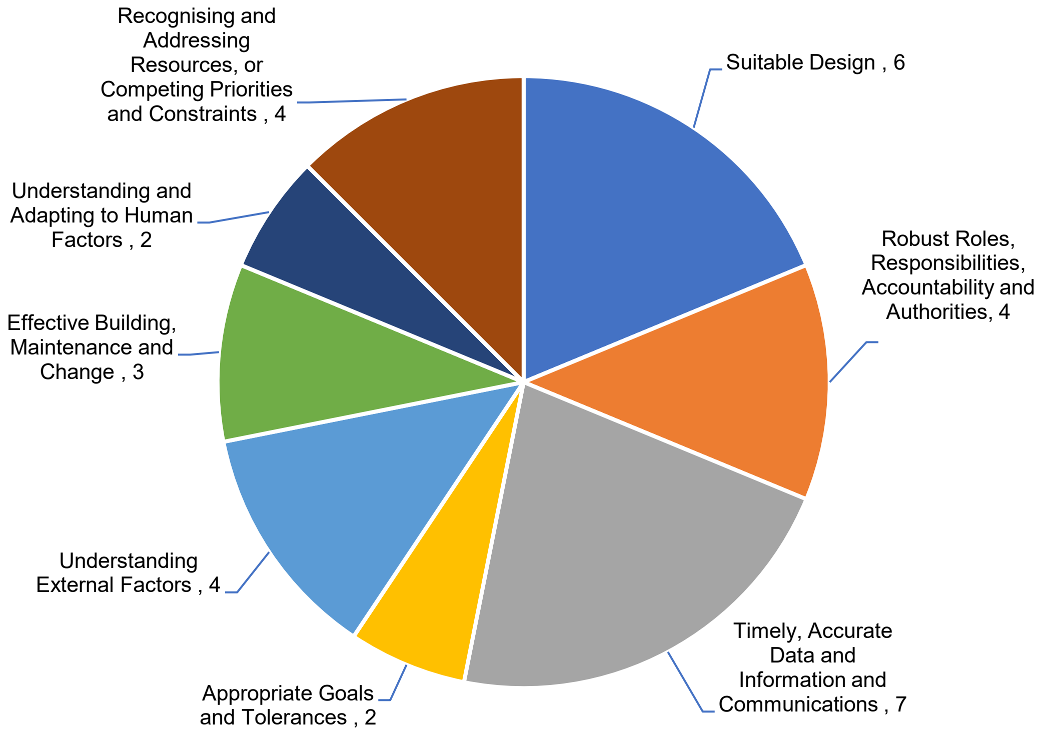
Summary of Audit Opinions — Appendix 2

Audit Opinions by Year	The following chart shows the opinions provided for audits over the last seven years: -



Analysis of Urgent and Important Recommendations — Appendix 3

Analysis of Limited Report Recs	An analysis of the 33 urgent and important recommendations in the limited opinion reports is shown below. (Key: EC – Environmental Charter, S106 – Section 106 Arrangements, Waste – Waste Collections, RM – Risk Mgmt., PSH – Private Sector Housing)). The analysis shows that the most recommendations fall under the categories, 'Timely, Accurate Data and Information and Communications' and 'Suitable Design' as detailed in the pie-chart below.



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Key points from the analysis about the recommendations made

Suitable design: -

- **Compliance-oriented**: Policies and procedures must meet legal and regulatory standards.
- **User-focused**: Documentation and guidance should be clear, accessible, and practical.
- **Strategically aligned**: Plans should support broader organisational goals with measurable outcomes.
- **Governance-driven**: Risk and process management must be embedded in the design.

Timely, Accurate Data and Information and Communications: -

- **Data Integrity and accuracy**: There is a need for accurate, up-to-date and consistent data across internal systems and public interfaces.
- **Information Retention and Traceability**: Record keeping, and audit trails are important for transparent decision making, review and justification if needed.
- **Standardisation and Process Consistency**: There a need for standardised data handling procedures, which improve efficiency, reduce errors, and ensure compliance with legal or procedural requirements.
- **Risk management and reporting**: There is a commitment to systematic risk data collection, analysis, and reporting, which is essential for informed decision-making and strategic planning.

The table below shows which recommendations fall into which category.

Category	Recommendations
Suitable Design (6)	• Develop and implement policies, procedures, and guidance for Smoke and Carbon Monoxide Regulations. (PSH) • Produce a formal HMO Policy aligned with the Housing Act 2004. (PSH) • Finalise review of the Risk Management Policy and Framework. (RM)

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			• Develop authorised, version-controlled, end-to-end process documentation and user guides. (S106) • Update the Climate Action Plan for the Net Zero Strategy with SMART objectives. (EC) • Produce policy/procedure notes for all aspects of commercial and garden waste services. (Waste)	
		Robust Roles, Responsibilities, Accountability and Authorities (4)	• Ensure policy/procedural documentation includes version control, owner, review date, and cycle time. (PSH) • Ensure a deputy is trained to cover the Section 106 and Infrastructure Levy Officer. (S106) • Establish regular monitoring and oversight mechanisms for Housing Act 2004 compliance. (PSH) • Define a reporting path for Climate Action Plan monitoring. (EC)	
		Timely, Accurate Data and Information and Communications (7)	• Retain evidence of necessary consultations for each planning application. (S106) • Develop a consistent method for distributing finalised s106 agreements. (S106) • Ensure the system accurately reflects due obligations and invoicing. (S106) • Ensure the public-facing system module on the Council's website is accurate. (S106) • Carry out data reconciliation between Council Tax, electoral register, and garden waste systems. (Waste)	

	• Report risks to the Corporate Leadership Team (CLT) as standard and further improve the format of the Corporate Risk Register. (RM) • Produce risk reports including an annual risk management report. (RM)
Appropriate Goals and Tolerances (2)	• Review risk appetite annually and align with the Corporate Plan and determine a risk scoring matrix and include risk appetite in the Corporate Risk Register. (RM) • Make a formal decision on how far back to pursue garden waste debts. (Waste)
Understanding External Factors (4)	• Review and update the Environmental Health Enforcement Policy and HHSRS Operating Procedure. (PSH) • Develop a proactive inspection programme for private sector rentals with category 1 hazards. (PSH) • Request new contracts with commercial waste customers with the introduction of the new food collection. (Waste)
Effective Building, Maintenance and Change (3)	• Add operational risk for the new performance and risk system to the register. (RM) • Track overall progress of the Climate Action Plan. (EC) • Ensure that a system back up is in place for historic data to be transferred into the new system. (Waste)
Understanding and Adapting to Human Factors (2)	• Develop a formal risk management training programme. (RM) • Introduce a structured payment or instalment plan options for customers with outstanding garden waste debts. (Waste)

		Recognising and Addressing Resources, or Competing Priorities and Constraints (4)	• Review all unspent s106 funds and take appropriate action. (S106) • Ensure accurate recording and allocation of pre-2012 s106 agreement funds. (S106) • Develop regular reporting of available s106 funds to key stakeholders. (S106) • Undertake a review of the payment terms of the Contractor for garden waste collections. (Waste)	

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Treasury Management Code of Practice	
Executive Summary	The Chartered Institute of Public Finance & Accountancy (CIPFA) revised its Code of Practice for Treasury Management and recommends the Council formally adopts the clauses identified in this report.
Options considered	The adoption of these Clauses is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services.
Consultation(s)	Cabinet Member Section 151 Officer
Recommendations	That the Governance Risk and Audit Committee recommend that Full Council formally adopt the updated Treasury management Code of Practice.
Reasons for recommendations	The adoption of these Clauses is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services. The 2021 clauses were not formally adopted through Full Council (although enacted) due to vacancies in Finance staff at the time of CIPFA's implementation.
Background papers	Treasury Management Code of Practice 2009 (last CIPFA update).
Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Daniel King – Assistant Director Finance & Assets Daniel.King@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	The CIPFA code of practice outlines the principles for appropriate treasury management to support the delivery of Corporate Plan objectives.
Medium Term Financial Strategy (MTFS)	Appropriate financial management in line with the MTFS
Council Policies & Strategies	Changes in treasury principles and prudential indicators are set in the annual Treasury Management Strategies.

Corporate Governance:	
Is this a key decision	No

Has the public interest test been applied	Not an exempt item
Details of any previous decision(s) on this matter	N/A

1. Purpose of the Report

1.1 This report informs the Council of the revised Code of Practice for Treasury Management and the accompanying Guidance Notes which were published in December 2021. Mandatory compliance with the 2021 Code applies from 1 April 2023 onwards.

1.2 While the Council's Treasury Management Practices and related policies have not yet been formally updated to reflect the 2021 CIPFA Treasury Management Code of Practice, the principles and requirements of the updated Code have been incorporated into day-to-day treasury operations.

1.3 This report forms part of the Council's process to formalise those updates, ensuring its governance documentation is aligned with established good practice and statutory guidance.

1.4 The CIPFA's current definition of treasury management is "*the management of the local authority's borrowing, investments and cash flows, its banking, money market funds and capital market transactions; the effective control of the risks associate with those activities; and the pursuit of optimum performance consistent with those risks".*

2. Introduction & Background

2.1 The following key updates have been made to the Treasury Management Code of Practice 2021 compared to the prior Code of Practice 2009, below the changes have been outlined, alongside how NNDC have demonstrated compliance with the new code.

2.1.1 CIPFA has strengthened the guidance on borrowing in advance of need. The updated Code reinforces that borrowing solely to profit from the investment of the proceeds is not permitted. Additionally, borrowing for debt-for-yield (commercial) investments is explicitly prohibited under the Prudential Code. This reflects a renewed focus on the principles of security, liquidity, and yield – in that order, making the security of funds the highest priority.

NNDC have demonstrated compliance with this change in the code as no borrowing undertaken was solely for investment, or debt-for-yield investments. The only borrowing undertaken by NNDC was to assist with meeting cashflow demands to deliver the capital programme.

2.1.2 Additional Prudential Indicators have been introduced relating to the use of resources for capital purposes. These include a stronger emphasis on the Capital Financing Requirement (CFR) and indicators around external borrowing. The aim is to ensure that authorities assess the adequacy of resources applied to capital expenditure in relation to their long-term borrowing levels.

NNDC has complied with the updated requirements of the Prudential Code 2021 regarding the use of resources for capital purposes. The Capital Financing Requirement (CFR) and levels of external borrowing have been set and monitored through the approved Prudential Indicators, with regular reporting to the Governance, Risk and Audit Committee and Full Council. The Council remains under-borrowed as part of its prudent approach to managing capital financing and treasury risk.

2.1.3 Capital strategies are now required to categorise investments under three headings: service investments, treasury management investments, and commercial investments. This improves transparency and clarity over the purpose and risk profile of each type of investment.

The Council holds no commercial investments as defined under the CIPFA Prudential Code. All investments are either held for treasury management purposes (to manage cash flow and reserve balances) or to support service delivery, such as loans to affordable housing companies. These are categorised as service investments in line with the Code's requirements.

2.1.4 New Investment Management Practices (IMPs) for non-treasury investments must be incorporated within the authority's Treasury Management Practices (TMPs). The Council's treasury advisors have provided a template to support the inclusion of this new section within its treasury management documentation.

While the Council's Treasury Management Practices (TMPs) have not yet been formally updated to incorporate the new Investment Management Practices (IMPs) for non-treasury investments, as required by the CIPFA Treasury Management Code of Practice 2021, the necessary changes have already been embedded in the Council's day-to-day operational treasury management arrangements. In practice, NNDC has aligned its approach to managing non-treasury investments—such as loans and property holdings—with the expectations of the updated Code. Guidance provided by the Council's treasury advisors has informed internal procedures, and a formal update to the TMP documentation is planned. This report forms part of that process, supporting the Council's transition to full compliance and ensuring its policies reflect established good practice.

2.1.5 The Code introduces the Liability Benchmark as a key indicator. This provides a long-term view of the Council's future borrowing needs and supports decisions about how much and for how long any new external borrowing should be undertaken. The Council's treasury advisors (Mitsubishi UFJ Financial Group) have provided a toolkit to assist in producing and reporting this indicator in the half-yearly and annual treasury management reports.

NNDC has demonstrated substantial compliance with the requirement to consider the Liability Benchmark introduced by the CIPFA Treasury Management Code of Practice 2021. While a formal Liability Benchmark chart has not yet been included in published treasury reports, the Council has worked closely with its treasury advisors, Mitsubishi UFJ Financial Group (MUFG), to understand and apply the underlying principles. These principles have informed the Council's approach to managing its borrowing requirement prudently, particularly in relation to the timing and duration of external borrowing. During the reporting period, the Council undertook limited new borrowing, all of which was short-term or with the PWLB, and its overall debt position remained below the Capital Financing

Requirement (CFR). The Council plans to formally incorporate the Liability Benchmark into its future treasury reporting cycle, supporting long-term financial planning and full compliance with the updated Code.

2.1.6 A new Treasury Management Practice, TMP13: Environmental, Social and Governance (ESG) Risk, has been introduced. This requires authorities to consider ESG factors in their treasury management activities, including in investment decision-making, risk assessment, and policy development.

While full implementation of TMP13: Environmental, Social and Governance (ESG) Risk is still in progress, NNDC has demonstrated substantial compliance in practice. During the period in which the 2021 CIPFA Treasury Management Code has been effective, the Council has not entered into any new long-term investments, thereby limiting ESG exposure in its investment portfolio. Furthermore, all long-term borrowing undertaken has been sourced exclusively from the Public Works Loan Board (PWLB), a government-backed institution with low ESG risk. All short-term borrowing has been conducted solely with other local authorities, which are considered secure and low-risk counterparties under the Code. This cautious and responsible approach ensures that the Council’s treasury activity remains aligned with the core ESG principles of security, transparency, and ethical counterparties, pending the full incorporation of ESG criteria into its formal treasury management policies.

2.1.7 The Council is now required to produce and present quarterly treasury management update reports. These updates are intended to enhance member oversight and ensure treasury management activities are monitored throughout the year.

NNDC ensures regular oversight of its treasury management activities through its established budget monitoring process. Treasury activity is reviewed and reported as part of the Council’s wider financial performance reporting, which is presented to members on a quarterly basis. These reports include updates on borrowing, investments, interest income and expenditure, and compliance with the approved Treasury Management Strategy and Prudential Indicators.

3. Proposals & Options

3.1 This report supports the Council’s commitment to strong financial governance and effective risk management in its treasury operations. It is recommended that the Council formally adopts the updated Treasury Management Practices and fully aligns with the principles set out in the 2021 CIPFA Treasury Management Code of Practice.

4. Corporate Priorities

4.1 The formal implementation of the new code aligns with the following corporate priority: A strong, responsible and accountable Council.

5. Financial and Resource Implications

5.1 Preservation of the capital sums invested is the prime criteria for treasury activities. The strengthening of the Code through CIPFA's updates contributes to good financial practice whilst achieving value for money from treasury activities. The Council is required under Regulations to have regard to the guidance set out in the Code. Non-compliance with the Code is not recommended to help prevent financial loss to the Council.

Comments from the S151 Officer:

This Report provides details of the Treasury Management activity for the year. All activity has complied with the codes of practice and the Council's Treasury Management Strategy.

6. Legal Implications

6.1 The Council is required to adopt the clauses to comply with CIPFA Code of Practice for Treasury Management in the Public Services.

Comments from the Monitoring Officer

The Council needs to ensure compliance, and act in accordance with 2021 CIPFA Treasury Management code of practice, and to keep Members informed.

7. Risks

7.1 The Revised Code emphasises the overriding important of effective risk management as the foundation for treasury management activity.

8. Net Zero Target

None as a direct consequence of this report.

9. Equality and Diversity

None as a direct consequence of this report.

10. Community and Safety Issues

None as a direct consequence of this report.

11. Conclusion and Recommendations

The adoption of these Clauses and Policy Statement is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services. Therefore, it is recommended that Full Council formerly adopts these principles.

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TREASURY MANAGEMENT PRACTICES

North Norfolk District Council

Revised May 2025

Contents

TMP1 Risk Management

The Council regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investment including investment properties.

The Treasury Officers will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards Councils with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those Councils from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

This Council will use the Treasury solutions creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

- Yellow 5 years +
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.
5. Credit ratings for individual counterparties can change at any time. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

6. This Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings, it will therefore use other sources of information including:
    - The quality financial press
    - Market data
    - Information on government support for banks an
    - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are outline in the Council's annual Treasury Management Strategy and will be agreed by Full Council prior to the start date of each financial year.

8. Diversification: this Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
    - Maximum amount to be placed with any one institution - £5m (excluding central government DMADF which will be a last resort for investing unexpected surpluses of cash. This is to protect large amounts of cash above the Council's bank account guarantee).
    - Group limits where a number of institutions are under one ownership is also a maximum of £5m.
    - A sector limit will be calculated annually as part of the Council's Treasury Management Strategy and will be authorised by Full Council prior to the start date of each financial year. These sector limit will be dependent on the Council's current total levels of investment and future treasury management plan. Sector limits will be revised annually to ensure a diverse portfolio is maintained and allow for any policy changes to safeguard the risk management of the Council's portfolio which is the main priority of the investments.
    - Country limits – a minimum sovereign rating of AA+ is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criterion will be shared with members bi-annually as part of the treasury strategy, treasury mid-year and treasury outturn reports.

9. Investments will not be made with counterparties that do not have a credit rating in their own right

10. The definition of **'high credit quality'** in order to determine what are specified investments as opposed to non-specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1. The Council's **external fund manager(s) wil**l adhere to the counterparty credit criteria and maximum individual limits set by the Council; however, it is understood that the fund manager(s) may use a subset of the counterparty list so derived.

11. Full individual listings of counterparties and counterparty limits can be seen in the Council's Annual Treasury Management Strategy (TMS) and will be reviewed on an annual basis.

1.1.2. Policy on environmental, social and governance (ESG) considerations

The Council's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

The Council's ESG policy can be found below in Appendix 1.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, ineffective management of liquidity can create additional unbudgeted costs (such as borrowing) which can lead to the Council's business/service objectives being compromised.

The Council will ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The treasury will aim for a balance in same day access investments of £1m to keep liquidity and avoid unplanned borrowing costs from payment runs.

This Council will only **borrow in advance of need** where there is a clear business case for doing so and will only do so for the following reasons: -

- to fund the current capital programme
- to finance future debt maturities, or
- to ensure an adequate level of short-term investments to provide liquidity for the Council.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day to minimize risk by making sure funds are guaranteed. This will be from either investing or lending surplus cash as part of the daily treasury management activities.

1.2.2. Details of:

a. Standby facilities
   At the end of each financial day any unexpected surplus funds are transferred to the Council's FIBCA account with The bank (Fixed Interest-Bearing Current Account) which is accessed by bank transfer from the Council's main bank (comparable to a bank savings accounts). The balance on this account is instantly accessible if the group bank account becomes overdrawn.
b. Bank overdraft arrangements
   The Council does not currently have an overdraft facility with The bank as the annual cost to retain this facility was deemed higher than externally borrowing when required. The bank does not offer an overdraft facility over £250,000.

c. Short-term borrowing facilities
The Council can access temporary loans through approved brokerage companies, the Council is only authorised to take loans from other public sector bodies (local government authorities, police, authorities, fire authorities, government pension authorities).

Currently six brokers are approved for use. When borrowing/lending is undertaken multiple brokers will be contacted to ensure competitive rates are obtained. These four brokers are:

- King & Shaxson
- Tradition
- Imperial
- BGC
- MUFG
- Barclay's

The approved borrowing limit for short term debt is reviewed annually as part of the Council's treasury management strategy.

d. Insurance/guarantee facilities
There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences. Borrowing and lending through brokers is secured through counterparty agreement. In the event of late payment by either counterparty a compensation pay is due to the amount of any borrowing expense occurred or loss of investment income.

e. Emergency Payments
The treasury will arrange for emergency payments outside of the standard BACS process (payment through finance system) in the below circumstances:

- CHAPS (sterling guaranteed same-day payment) shall be used for any high value payments (over £100k) that must be made on an agreed date to meet contractually obligations. By not guaranteeing these payments, the Council could incur fines from counterparties for late payment. This payment method typically incurs a £5 transaction fee. This includes:
    - Treasury Investments
    - Treasury Repaid Borrowing
    - Monthly Council Tax and Business Rates shares due to other government bodies.
    - Property Purchases (set date agreed by Solicitors)
    - High-value faster payments (see below)
- Faster Payments shall be used for any low value payments (under £100k). This is only done in situations where a payment cannot wait for three-day BACS payment clearing. This payment method typically incurs a £0.15 transaction fee. This includes:
    - Support Payments (including but not limited to; COVID test & trace, Household Support, Hardship Support, Council Tax Support, Flood Support).
    - Exceptional by circumstance Council Tax refunds.
    - Homelessness rent deposits
    - Payment of VAT only invoices (as these cannot be processed by the Council's finance system).
    - Discretion is reserved to facilitate any other faster payment when it is deemed not to be payable by BACS.
- International Payments shall be used where a service is rendered by an international organisation. Any international payment/service must be pre-agreed by the treasury in advance of receiving any goods or services. This is

because all international payments incur a £20 bank transaction and so it must be ensured that agreement provides value for money to the Council. The treasury must also ensure that the bank is able to facilitate payment of the required currency.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

For appropriate interest rate risk management, the below factors will be reviewed annually and approved as part the annual treasury management strategy:

1.3.1 Interest rate exposure limits.
1.3.2 Trigger points for managing changes to interest rate levels.
1.3.3 Upper limit for fixed interest rate exposure.
1.3.4 Upper limit for variable interest rate exposure.

1.3.5 Policies concerning the financial instruments for interest rate management.

a. Forward Dealing:
Consideration will be given to dealing from forward periods dependent upon market conditions. Forward dealing must be approved by either the S151 or Deputy S151 of the Council.

b. Callable Deposits
The Council does not permit the use of callable deposits as part as of its Annual Investment Strategy (AIS).

c. LOBOS (borrowing under lender's option/borrower's option):
Use of LOBOs are not considered as part of the annual borrowing strategy.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.4.1 Approved criteria for managing changes in exchange rate levels

International Payments shall be used where a service is rendered by an international organisation. Any international payment/service must be pre-agreed by the treasury in advance of receiving any goods or services. This is to ensure the exchange rates are known perform any contractual agreement is made. The treasury must also ensure that the bank is able to facilitate payment of the required currency.

1.5 Inflation Risk Management

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole Council's inflation exposures.

1.6 Refinancing Risk Management

The risk that maturing borrowings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancing, both capital and revenue, and/or that the terms are inconsistent with prevailing market conditions at the time.

This Council will ensure that its borrowings are negotiated, structured and documented. The maturity profile of agreements will be managed with a view to obtaining offer terms for renewal or refinancing which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding to limit risk exposure unless no other alternative is available.

1.6.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a) the generation of cash savings at minimum risk;
b) to reduce the average interest rate;
c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to Full Council as part of the mid-year treasury or treasury outturn reports.

1.6.2. Projected Capital Investment Requirements

The responsible officer will prepare a five-year plan for capital expenditure for the Council. The capital plan will be used to prepare a five-year revenue budget for all forms of financing charges.

The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.6.3. Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the three following years. Including the impact these will have on council tax.

The Council will also consider affordability in the longer term and assess the risks/rewards of significant investments to ensure the long-term financial sustainability of the authority (10 year +).

The Council will does not undertake commercial investments at the current time.

The Council will use the definitions provided in the Prudential Code for borrowing (88), capital expenditure (89), capital financing requirement (90), commercial property (91), debt (92), financing costs (93), investments (95), net revenue stream (96), other long-term liabilities (97), treasury management (98) and transferred debt (99).

1.6.4. PFI, Partnerships, ALMOs and guarantees

The Council will not enter into any long-term agreement with another organisation that will incur future debt.

1.7 Legal and Regulatory Risk Management

There is a risk that the Council itself or another organisation with which it is dealing in its treasury management activities (borrowing/lending/grant administration) fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

1.7.1. References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

English Authorities

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- *There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016*

- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

Guidance and codes of practice

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021

- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

- PWLB circulars on Lending Policy
- The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority.)

- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.7.2 Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

a. A list of treasury officers which states the lead staff authorised to carry out treasury activities.
b. A standard settlement instruction confirming the bank details of the Council and providing a list of officers authorised to carry out transactions with counterparties.

These documents are saved in: \\fs\Accounts\Banking and Treasury\Treasury Management\Standard Settlement Instructions

Required Information on Counterparties
Lending shall only be made to approved counterparties, any new or removed counterparties must be approved annually as part of the Council's treasury management strategy. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.7.3. Statement on the Council's Political Risks and Management of Same

The Director and Assistance Director of Resources shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of the majority group, leadership in the Council, change of Government etc.

1.7.4. Monitoring Officer

The monitoring officer is the Assistant Director of Legal and Governance, the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.7.5. Chief Financial Officer

The Chief Financial Officer is the Director of Resources the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.8 Operational risk, including fraud, error and corruption

The risk that a Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore: -

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.

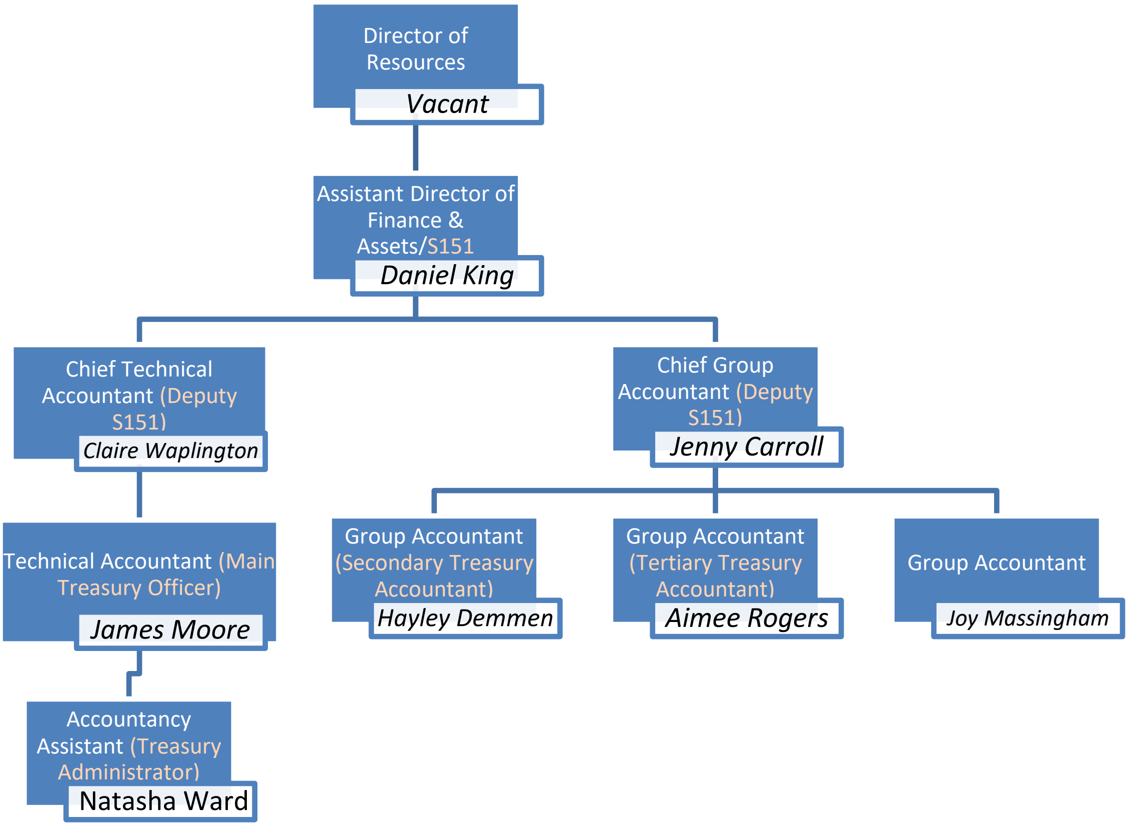
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.8.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers and is shown below.
- All loans and investments are negotiated by the treasury officer and must be authorised by an accounting manager (Director of Resources, Assistant Director of Finance & Assets, Chief Technical Accountant, Chief Group Accountant) before any transaction is made.



Delegated treasury powers are as below for the above structure:

- The daily treasury officer is primarily the Technical Accountant, in the absence of the Technical Accountant the Chief Technical Accountant is the secondary Treasury Officer. Both Officers should be fully trained with all Treasury procedures.
- For emergency cover at least one Group Accountant is trained in the core treasury procedures (investing/borrowing, but not administration and reconciliation).
- The Accountancy Assistant is not authorised to be a treasury officer but will be fully aware of the administrative work to support the treasury accountant of each day.
- The Technical Accountant will ensure that all required Officers are up to date with treasury knowledge and ensure a scheme of delegation is in place including; the updating of change in procedures, facilitate access to external treasury training to officers from advisors, ensuring all treasury officers regularly practice to maintain

knowledge and experience (recommended each officer to be delegated as treasury officer at last once a fortnight).

- An accounting manager must authorise any daily investments before the treasury officer enacts and proposed dealings. This could be the Chief Technical Accountant, Chief Group Accountant, Assistant Director of Finance & Assets or the Director of Resources and is to ensure that adequate control is in place before the Council is committed to any monetary agreements.
- The treasury officer is responsible for proposing the daily transactions and facilitating them once agreed by the senior officer.
- For any new long-term investments or borrowing (short & long-term) the transaction is again proposed by the treasury officer but must be authorised by the S151 or Deputy S151 before any counterparty agreement is made. This is to ensure that the revenue borrowing cost of any agreement is considered because of potential the long-term costs to the council and impacts on setting a balanced budget.
- All qualified accountants have the authorised signatory power to authorise the release of funds from the Council's bank account. For any payment, the transaction must be authorised by two officers on the bank account to ensure that high-value payments are thoroughly checked. Both authorisers must be separate from the treasury officer (deal proposer) and the senior officer who approved the deal (deal approver). This is to prevent complacency and potential fraud from one officer completing multiple roles.

Procedures

- Treasury and banking procedures are kept with all other accountancy procedures: \\fs\Accounts\Procedures

Investment and borrowing transactions

- A detailed register of all treasury transactions made (loans, investments, lending and borrowing) is saved in the treasury management folder under the corresponding financial year \\fs\Accounts\Banking and Treasury\Treasury Management
- A dealing record for each transaction is also saved in the above folder under the corresponding financial year "dealing records" folder.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the Council.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Technical Accountant for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Technical Accountant for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties with is reviewed and approved as part of the annual treasury management strategy.
- The cash flow is reviewed and updated daily by the treasury officer and is fed from separate investment and borrowing records to keep a schedule of money borrowed, lent, invested or due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties. No treasury activity money due to/from the Council is to be held by a third party.

- Counterparty limits are set for every institution (see 1.5.1.6.) that the Council invests with, these are reviewed and authorised annually as part of the treasury management strategy.
- Brokers have a list of named officers authorised to agree deals (standard settlement instructions, see 1.7.2.)
- There is a separation of duties in the section between dealers and the checking and authorization of all deals (see 1.8.1.)
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions (standard settlement instructions, see 1.7.2.)
- No member of the treasury management team for the day is also an authorised s signatory for the day (singular roles, see 1.8.1.)
- Payments can only be authorised in an electronically recorded format (email, PIN sentry etc.) by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The treasury management records can only be accessed by a password to prevent unauthorised access and potential fraud (such as unlawful changing of bank details).
- There is adequate insurance cover for employees involved in treasury activity and accounting.

Checks

- Bank reconciliations are carried out monthly from the bank statement to the financial ledger.
- Treasury balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A separate listing for each type of debt and investments is produced every month where a review is undertaken against the full year budget for interest receivable and interest payable. Any significant future shortfall/benefit is then reported to the finance Directors.
- The valuations and investment income statements received monthly from the Council's fund managers will be checked and retained for audit inspection. The authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices.
- The Council has complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

Calculations

- The calculation of short-term principal and interest to be repaid notified by the lender or borrower is checked for accuracy by the treasury officer using the borrowing records.
- The PWLB with calculate and notify the Council of periodic interest payments of PWLB and other long-term loans. This is also checked by the treasury officer using the borrowing records.
- Interest rates and debt management expenses are calculated monthly using information from the financial ledger and the treasury records as part of the monthly reconciliation process.
- The average interest and expense rates are used at year end to calculate the principal, interest and debt management expense charges to any other service area of the Council as required (currently grassed deposits, leisure and client holding accounts, legal).

1.8.2. Emergency and Contingency Planning Arrangements

Disaster Recovery Plan.

All accounting staff are issued laptop to allow for remote working and continued access to banking portals and treasury records in the event of a disaster that prevents access to the Council offices buildings.

In the event of a failure/blocked access to the Council servers, the banking portal is still accessible as a separate internet portal. Although records can not be documented, this allows the bank account to be accessed for emergency treasury actions.

A staff text group is maintained between the accounting staff to allow proper authorisation and delegation of duties to continue without access to the Council's servers.

In the event of a bank portal failure, emergency phone numbers will be retained by treasury officers. So that any essential treasury activity can be carried out directly with a banking operative in an emergency.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

The Council's IT team hold back-up servers to retain a copy of the previous day's treasury records in the event of an IT disaster. This back-up is refreshed at the end of every day to ensure that essential records are retained in emergencies.

1.8.3. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal PLC. This covers the major losses of cash from the fraud or dishonesty of employees.
This cover is limited to £3m for any one event with an excess of £5,000 for any one event.

Professional Indemnity Insurance

The Council also has a 'Professional Indemnity' insurance policy with Zurich which covers losses to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event an excess of £2,500 for any one event.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich which covers losses to the Council across all its occupied premises in the event of a major disaster causing loss of income or incur penalty expenses. This cover is limited to £5m for any one event. This policy has no excess but has a maximum cover duration of 36 months per event.

1.9 Price Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations. The main method of protection will be to ensure that a diverse portfolio of investment is maintained, to reduce the chance of experience large losses. Only funds that are deemed not required for use in the next three years will be invested long-term to reduce the chances of losses from the fall in capital value of investments. Short-term cash will be invested in fixed deposits or on call funds to protect the capital values and allow for appropriate cash flow liquidty.

1.9.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (part of the treasury strategy).

1.10 Liability Benchmark

The Council will adopt the Liability Benchmark as a core treasury risk management tool in accordance with the CIPFA Prudential Code 2021. The Liability Benchmark provides a long-term projection of the Council's future borrowing needs and will be used to support decisions on the timing and structure of external borrowing. The Liability Benchmark will be incorporated into the annual and mid-year Treasury Management reports to provide greater transparency over debt planning and risk exposure.

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions: -

a. monthly reviews carried out by the treasury management team
b. bi-annual reviews with our treasury management consultants
c. annul review as part of the budget setting process
d. annual review after the end of the year as reported to full council (outturn)
e. quarterly monitoring reports to Cabinet and Full Council
f. comparative reviews (benchmarking)

2.1.1 Periodic reviews during the financial year

The Assistant Director of Finance & Assets holds a treasury management review meeting with the Technical Accountant every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This is as part of the quarterly non-service income and expenditure budget monitoring.
This will include:

a) Total debt (both on-and-off balance sheet) including average rate and maturity profile
b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants bi-annually to review the performance of the investment and debt portfolios. Extra meetings are organised when additional support is needed (e.g. to seek advice on new legislation, or to see advice on new-long term investment, borrowing or diversification).

2.1.3 Review reports on treasury management

An Annual Treasury Report is submitted to the Council each year after the close of the financial year (outturn) which reviews the performance of the investment and debt portfolios with a CFR statement. This report contains the following:

a. total external debt (gross external borrowing plus other long-term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
b. borrowing strategy for the year compared to actual strategy
c. whether or not a decision was made to defer borrowing or to borrow in advance
d. comment on the level of internal borrowing and how it has changed during the year
e. assumptions made about interest rates
f. investment strategy for the year compared to actual strategy
g. explanations for variance between original borrowing and investment strategies and actual
h. debt rescheduling done in the year
i. actual borrowing and investment rates available through the year
j. the performance and return of all investments by type of investment, evaluated against the stated investment objectives
k. the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together will details of any remedial action take. This includes reporting any short-term borrowing costs incurred to remediate any liquidity problem.
l. the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.

m. compliance with Prudential and Treasury Indicators

In addition, a detailed half yearly report will be submitted to the Council each year to provide a projected year end forecast on the above.

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year
- MUFG Benchmarking – Norfolk County group
- Room 151 Local Authority Treasurers Investment Forum (LATIF)

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Debt portfolio compared to the debt liability benchmark

2.2.2 Investment.

The performance of investment earnings will be measured against the following benchmarks:

Investments:

- Average daily SONIA
- Backward-looking compounded SONIA

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on *a five-year basis* with the option to extend for one plus one further years. The process for advertising and awarding contracts will be in line with the Council's procurement guidelines.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender every ten years unless it is considered that there will be significant changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.
If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Brokerage Services

The Council will use brokerages services in order to make deposits or to borrow and will establish charges for all services prior to using them. .

The Council has a list of four approved brokers that have been reviewed and confirmed that they offer value for money to the authority. These approved brokers are outlined in 1.2.2.

2.3.4 Treasury advisory services

This Council's policy is to appoint full-time professional treasury management consultants. This contract will be reviewed every five years with two one plus one optional extensions.

2.3.5 Policy on External Managers

The Council's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Financial Instruments:

3.1.1 Records to be kept

The Treasury section has electronic dealing records alongside investment, borrowing and loans summaries where all treasury transactions are recorded. These records are all retained in the treasury management folder under the Council's network.

- Cashflow (daily cash management and future forecasting).
- Investment Return (monthly summary of investment income).
- Benchmarking records from the Council's treasury advisors.
- Bank savings account reconciliation (i.e. FIBCA).
- Interest and Borrowing budget working papers.
- Investment Record (treasury officers daily investment record).
- Borrowing Record.
- Investment Record, long-term investments.
- Investment Record, short-term investments.
- Loans Summary.
- Treasury Reconciliation.
- Treasury Strategy.
- Treasury Management Procedures (this document).
- Dealing records for all treasury transactions (including; a dealing record, dealing confirmation from counterparties, broker confirmation (if applicable), bank authorisation, senior accountant authorisation and a copy of the treasury accountants investment record).
- Payments schedules & remittances (actual debits/credits relating to the Council's Collection Fund).

All treasury management records, benchmarking and monitoring is to be updated monthly to allow for stringent monitoring of the Council's investments and borrowing. The goals of the monthly monitoring are highlighted below in the "processes to be pursued".

All strategic documents (strategy, budget, procedures) are updated at minimum on an annual basis to ensure that proper future planning of the Council's portfolio is maintained.

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money).
- Performance information (e.g., monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Council will:

a) Above all be clear about the nature and extent of the risks to which the Council may become exposed.

b) Be certain about the legality of the decision reached and the nature of the transaction, and that all required approvals to proceed have been obtained.

c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping.
d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

a) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets to ensure that capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity and are within prudent and sustainable levels. This evaluation will be carried out in detail for a minimum of three budget years ahead.
b) Less detailed evaluation/consideration will also be carried out longer period (up to 30 years) to ensure that plans continue to be affordable, proportionate, prudent and sustainable in the longer term.
c) Not borrow to invest primarily for financial return as this is illegal.
d) Not borrow earlier than required to meet cash flow needs unless there is a clear and evidence cashflow forecast identifying a need (to reduce borrowing costs to the revenue budget).
e) Not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council. This limit will be monitored through the prudential indicator, the CFR (Capital Financing Requirement). The Council's borrowing should not exceed the Council's CFR as this would indicate the authority is borrowing to fund revenue expenditure which should instead be funded through Council tax by setting a balanced annual budget.
f) Not increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose (will not take on risky ventures and will not take on ventures that do not support the Council's four-year Corporate Plan set by members).
g) Undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt with the support of the Estates team.
h) Monitor and evaluate the economic and market factors that might influence the manner and timing of any financial decisions that will impact the treasury.
i) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships when applicable.
j) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
k) Ensure that treasury management decisions are made in accordance with good professional practice and follow the Council's agreed constitution and delegated powers.

3.1.3.3 In respect of investment decisions, the Council will:

a) Consider the optimum period of investment, in the light of cash flow availability and prevailing market conditions. The treasury will look to maintain liquidity, keep a low risk and receive a high yield in this listed order of priority.
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the capital values of its investments.
c) Ensure that any long-term treasury investment is supported by a business case to be approved by members.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation:

- Borrowing;
- Lending;
- Short-term investing.
- Long-term investing.
- Investment diversification.
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- The use of external fund managers (other than Pension Fund).
- Leasing.

4.2 Approved Instruments for Investments

The instruments for investments will be approved as part of the annual treasury management strategy. This is to allow for annual review and modification based on the Council's financial situation.

4.2.1 Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g., financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision-making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, (e.g., certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

The Council has applied to be a professional investor with its corporate banking provider, and all investment funds.

As part of the Council's current financial instruments, and to keep open access to alternative investment choices, it opted to the status of "professional client" in 2018 with all counterparties where applicable. To retain professional status, the Council is required to maintain a minimum level of investment of £10m at any given time. Failure to maintain this threshold will result in loss of access and forced diversification of the portfolio.

4.3 Approved Techniques

- Forward dealing where required.

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003), and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Municipal bond agency	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

- Government capital grants
- Lottery monies
- PFI/PPP
- Operating leases
- Capital Receipts (sale of assets)
- Use of reserves set aside for capital purposes
- External contributions (i.e. from non-department body or private developer)
- RCCO (revenue contribution to capital outlay)

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources. Where borrowing is undertaken, proper review will be undertaken to ensure that multiple brokers are used to ensure borrowing offers the best deal available under the circumstances.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument. Limits will be dependent on the Council's current total levels of investment and future treasury management plan. Sector limits will be revised annually to ensure a diverse portfolio is maintained and allow for any policy changes to safeguard the risk management of the Council's portfolio which is the main priority of the investments.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators. Limits will be dependent on the Council's current total and future forecasted levels of capital spend, alongside the current debt portfolio and impact on revenue of the debt portfolio. Sector limits will be revised annually to ensure a diverse portfolio is maintained and allow for any policy changes to safeguard the risk management of the Council's level of debt.

4.7 Non-treasury management investments

This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This Council will ensure that all the Council's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

Please see Appendix 2 at the bottom of this document for full consideration into non-treasury investments.

TMP 5 Council, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council:

- Approval of the annual Treasury Management Strategy.
- Approval of the half-yearly and outturn treasury reports.
- Approval of the quarterly budget monitoring reports (including non-service treasury monitoring).
- Approval of the annual treasury management budgets (interest receivable & interest payable).

(ii) Cabinet:

- Secondary Review of the annual treasury management strategy and making recommendations to Full Council.
- Secondary review of the half-yearly and outturn treasury reports and making recommendations to Full Council.
- First review of the quarterly budget monitoring reports (including non-service treasury monitoring).
- First review of the annual treasury management budgets (interest receivable & interest payable) and making recommendations to Full Council.
- Approving of external service providers and new funds when required.

(iii) Overview & Scrutiny:

- Reviewing the treasury management policy and procedures when required.
- Reviewing the annual treasury management strategy and making recommendations to Cabinet
- Reviewing the half-yearly and outturn treasury reports and making recommendations to Cabinet.

5.2 Principles and Practices Concerning Segregation of Duties

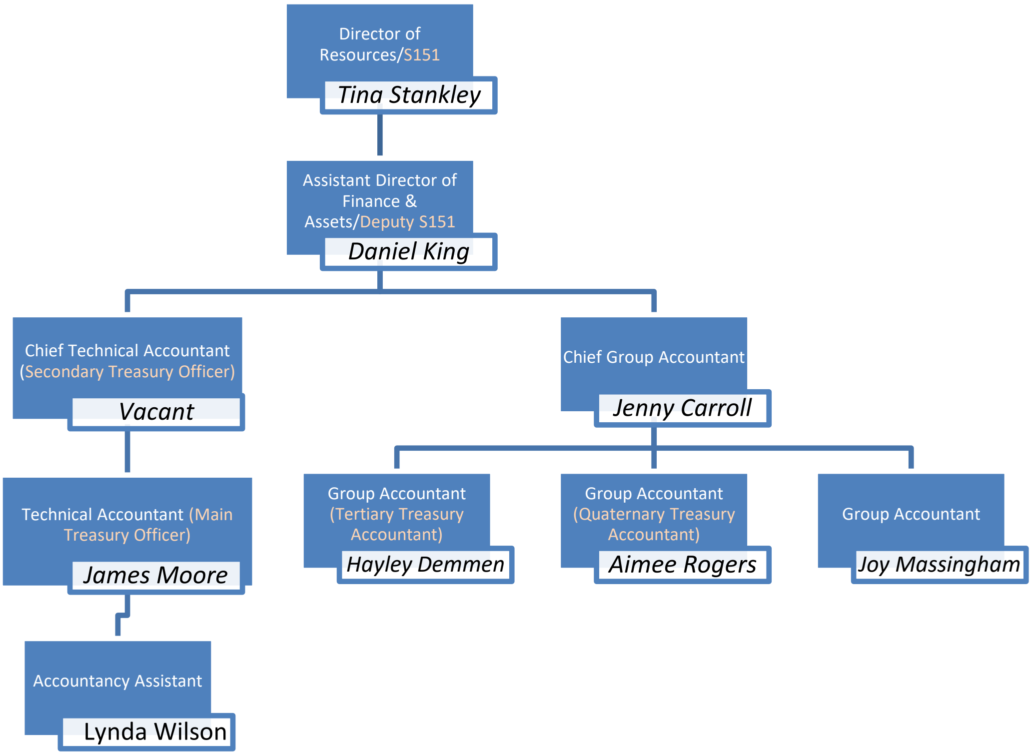
5.2.1 The following duties must be undertaken by separate officers for any treasury dealing to allow for appropriate control measures and prevent misappropriation:

- An accounting manager must authorise any daily investments before the treasury officer enacts and proposed dealings. This could be the Chief Technical Accountant, Chief Group Accountant, Assistant Director of Finance & Assets or the Director of Resources and is to ensure that adequate control is in place before the Council is committed to any monetary agreements.
- The treasury officer is responsible for proposing the daily transactions and facilitating them once agreed by the senior officer.
- For any new long-term investments or borrowing (short & long-term) the transaction is again proposed by the treasury officer but must be authorised by the S151 or Deputy S151 before any counterparty agreement is made. This is to ensure that the revenue borrowing cost of any agreement is considered because of potential the long-term costs to the council and impacts on setting a balanced budget.
- All qualified accountants have the authorised signatory power to authorise the release of funds from the Council's bank account. For any payment, the transaction must be authorised by two officers on the bank account to ensure that high-value payments are thoroughly checked. Both authorisers must be separate from the treasury officer (deal proposer) and the senior officer who approved the deal (deal

approver). This is to prevent complacency and potential fraud from one officer completing multiple roles.

- The treasury management reconciliations must be reviewing and authorised by an accountant who did not partake in completing the reconciliation.

5.3 Treasury Management Council Chart



5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer - Director of Resources & S151

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Director of Resources & S151 Officer. This person will carry out the following duties: -

a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
b) submitting regular treasury management policy reports
c) submitting budgets and budget variations
d) receiving and reviewing management information reports
e) reviewing the performance of the treasury management function
f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
g) ensuring the adequacy of internal audit, and liaising with external audit
h) recommending the appointment of external service providers.
i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Manager, the Senior Officer Treasury Management Team or the Accountancy Assistants Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.
k) The responsible officer will ensure that treasury management policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
l) Prior to entering into any capital financing, lending or investment transaction, it

is the responsibility of the responsible officer to be satisfied, by reference to the Council’s legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council’s Financial Regulations

m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The UK Money Markets Code (formerly known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

5.4.2. The Treasury Manager

The main Treasury Manager will be the Chief Technical Accountant. In the absence of this role, this duty will fall to the Technical Accountant in the interim.

The responsibilities of the Treasury Manager will be: -

a) execution of transactions
b) adherence to agreed policies and practices on a day-to-day basis
c) maintaining relationships with counterparties and external service providers
d) supervising treasury management staff
e) monitoring performance on a day-to-day basis
f) submitting management information reports to the responsible officer
g) identifying and recommending opportunities for improved practices
h) opportunities for improved practices
i) approval of daily treasury management transactions

One of the qualifications for upgrading to professional status under MIFID II is that there must be one treasury Officer with at least 1 years’ experience in professional financial markets with direct experience of transactions or services envisaged.

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be:

a) Ensuring that the system is specified and implemented
b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

5.4.4. The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will:

a) Ensure compliance with the responsible officer of the treasury management policy statement and treasury management practices and that they comply with the law.
b) Be satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
c) Give advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be:

a) To review compliance with approved policy and treasury management practices.
b) To review the division of duties and operational practice.
c) To assess value for money from treasury activities.
d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Council’s current finance department structure allows for two cover officers under each circumstance.

For governing duties: in the absence of the responsible officer/Director of Resources, the Assistant Director for Finance & Assets will assume the governing duties. In the absence of both Directors, then the Chief Executive will assume governing duties.

For managing duties: in the absence of the Chief Technical Accountant, the Technical Accountant will assume the managerial duties. In the absence of both the Technical Accountants, the Group Accountants and Chief Group Accountant will cover are trained to cover core duties until the appointment of new officers.

5.6 Dealing Limits

There are no dealing limits for individual posts. The responsibility for arranging deal will fall to the designated treasury officer of the day. With all deals to be authorised by a senior accountant and any borrowing to be authorised by a director. This prevents any single point of risk.

5.7 List of Approved Brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2. These brokers are:

- King & Shaxson
- Tradition
- Imperial
- BGC
- MUFG
- Barclay's

5.8 Policy on Brokers' Services

It is this Council's policy to regularly contact all brokers in the event of investing/borrowing to ensure that the best deal is obtained.

5.9 Policy on Taping of Conversations

It is not this Council's policy to tape brokers conversations.

5.10 Direct Dealing Practices

The Council will consider dealing directly with counterparties if it is appropriate and the Council believes that better terms will be available. At present all borrowing ang long-term investing is arranged through brokers as they have a wider access to the market. There are certain types of accounts and facilities, however, where direct dealing is required, as follows:

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.
- Bank Fixed Interest-Bearing Current Accounts (FIBCA).

5.11 Settlement Transmission Procedures

A formal letter/email signed by an agreed bank mandate signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made to the banking counterparty before 12noon to allow time for facilitation.

5.12 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, authoriser, amount, period, counterparty, interest rate, dealing date, payment date(s), broker. This is retained in the Council's electronic dealing records as mentioned in 3.1.1.

5.13 Arrangements Concerning the Management of Third-Party Funds.

The Council can hold money in a client holding account until it can be used (as legally outlined) or must be returned to a client. The cash in respect of these funds is held as part of the Council's cash, but transactions are separately identified on the ledger. Interest is given on credit balances at year end dependent on the highest rate for money market fund (on-call investment) balances over the year.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

a) Annual reporting requirements before the start of each financial year:
   - **Treasury management principles and schedules** - review of the Council's approved clauses and delegation, although this may remain the same between years.
   - **Treasury management strategy -** proposed treasury management activities for the upcoming year comprising of the Treasury management strategy statement, Annual Investment Strategy, Capital Strategy and Minimum Revenue Provision Policy Statement. This should:
     i. Give a view of the capital programme and treasury management implications both short-term and long-term.
     ii. Show an overview of treasury and non-treasury investments and highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
     iii. Outline the authorities risk appetite and specific policies and arrangements for treasury and non-treasury investments.

b) Mid-year treasury report.

c) Quarterly treasury monitoring (non-service income and expenditure) as part of the authorities' budget monitoring reports.

d) Annual outturn report after the financial year end.

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to Overview & Scrutiny, then Cabinet and then to Full Council for final approval before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions based on the anticipated movement in both fixed and short-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
   a) Prudential and Treasury Indicators
   b) current Treasury portfolio position
   c) borrowing requirement
   d) prospects for interest rates
   e) borrowing strategy
   f) policy on borrowing in advance of need
   g) debt rescheduling
   h) investment strategy
   i) creditworthiness policy
   j) policy on the use of external service providers
   k) any extraordinary treasury issues
   l) the MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will include a report on the Annual Investment Strategy which will set out the following:

a) The Council's risk appetite in respect of security, liquidity and optimum performance
b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
c) Which specified and non-specified instruments the Council will use
d) Whether they will be used by the in-house team, external managers or both (if applicable)
e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
f) Which credit rating agencies the Council will use
g) How the Council will deal with changes in ratings, rating watches and rating outlooks
h) Limits of value and time for individual counterparties and groups
i) Country limits
j) Maximum value and maximum periods for which funds may be prudently invested
k) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
l) Interest rate outlook
m) Budget for investment earnings
n) A review of the holding of longer-term investments
o) Use of a cash fund manager (if applicable)
p) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted as part of the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

1. Before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to Full Council during the financial year.

6.6 Quarterly and Mid-year reviews

The Council will review its treasury management activities and strategy on a quarterly and six-monthly basis. A detailed mid-year review will consider the following:

a) activities undertaken
b) variations (if any) from agreed policies/practices
c) interim performance report
d) regular monitoring
e) monitoring of treasury management and prudential indicators
f) Liability benchmark

The quarterly review will monitor the treasury management and prudential indicators on a lesser basis as part of the authority’s general revenue income/expenses and capital budget monitoring.

6.7 Annual Outturn Report on Treasury Management Activity

An annual outturn report will be presented to Full Council at the earliest practicable meeting after the end of the financial year, but legislation wise at a minimum by the end of September. This report will include the following:

a) transactions executed and the final revenue impacts
b) report on risk implications of any decisions taken and transactions executed
c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
d) performance report
e) report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements
f) monitoring of treasury management prudential indicators

6.8 Management Information Reports

Management information reports will be prepared every month by the Technical Accountant and will be presented to the Chief Technical Accountant.

These reports will contain the following information: -
a) a summary of transactions executed and the current impact on revenue
b) measurements of rate performance including effect on loan charges/investment income
c) forecasting of any year-end revenue impacts from rate forecasts and the authorities cashflow forecast.
d) The degree of compliance with original strategy and explanation of variances.
e) any non-compliance with Prudential limits or other treasury management limits.

6.9 Publication of Treasury Management Reports

All reports submitted to members are made publicly available.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Assistant Director of Finance & Assets will prepare at minimum a three-year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Assistant Director will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year
- Reconciliation of loan interest, discounts received, and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the <<system >>
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Chief Technical Accountant which is shared with Directors if a significant favourable/adverse impact is identified. Whilst a quarterly budget monitoring report goes to Cabinet and Full Council. The budget monitoring reports are intended to highlight any variances between budgets and spend in order that the Council can assess its revenue financial position.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. Future cash flow projections are prepared from the previous years' cash flow records, adjusted for known and anticipated changes in levels of income and expenditure and for changes in payments and receipts dates. These details are reviewed and updated regularly by the Technical Accountant from information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Council receives daily bank statements from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. by the Exchequer team.
Formal bank reconciliations are undertaken on a monthly basis by financial officers.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

Our policy is to pay creditors on the last day of terms that fit with the Council's bi-weekly BACS runs (Tue & Fri). This effectively schedules the payments to allow a maximum cash benefit for investing to the Council, in particularly around large payments for capital schemes. General terms are accepted to be 30 days, although shorter durations may be agreed with contractors where this is deemed not to come at a cost to the Council.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Chief Group Accountant is responsible for monitoring the levels of debtors and creditors (BACS run values) through effective management of the Exchequer team. Details are passed to the treasury team on a bi-weekly basis at the earliest opportunity to assist in updating the cash flow models and allow for effective debt management.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay must be passed to the cashiers who are part of the Customers Services mailroom team. Approved offices are then to deposit the funds into the Council's banking accounts and record the amounts collected. The cashiers will notify the exchequer and treasury team each morning of cash and cheques banked the previous day so that the figures can be considered in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.3 The Money Laundering Regulations 2012, 2015 and 2017

Councils pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following:

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

9.4 Local authorities

Public service Councils and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Council will do the following:

a) evaluate the prospect of laundered monies being handled by them
b) determine the appropriate safeguards to be put in place
c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
d) make all its staff aware of their responsibilities under POCA

e) appoint a member of staff to whom they can report any suspicions. This person is the monitoring officer.
f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the monitoring officer and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or Council it deals with. However, in respect of treasury management transactions, there is a need for due diligence, and this will be effected by following the procedures below.

It is no longer Council policy to accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk).

All transactions will be carried out by CHAPS for making deposits or repaying loans to secure payment on an agreed date and allow for automated bank detail checking.

TMP 10 Training and Qualifications

This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The responsible officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

Additionally, training may also be provided on the job, and it will be the responsibility of the Chief Technical Accountant to ensure that all staff involved with treasury proceedings receive the level of training appropriate to their duties. This will also apply to those staff who from time-to-time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The finance team will maintain records on all staff and the training they receive.

10.3 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.4 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other Councils to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this Council, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks an
- The credit ratings of that government support

11.1.1 Banking Services

a) The Council’s current banking provider is Barclay’s Bank PLC.
b) Regulatory status – banking institution authorised to undertake banking activities by the FCA
c) The branch address is:
Barclay’s Bank PLC
5/7 Red Lion Street
Norwich
Norfolk
NR1 3QH

The general contact details for the Council’s banking services are:

- Customer Services Email: client.support@barclays.com

- Bank Service Manager Email: mark.a.kerr@barclays.com
- Bank Service Manager Telephone: 07775 546543

- Assistant Bank Service Manager Email: stephanie.a.farley@barclays.com / taslima.hannan@barclays.com
- Assistant Bank Service Manager Telephone: 07384 239627 / 07392 135497

d) Contract commenced on the 1st February 2025 and runs for ten years until the 31st January 2025.
e) Cost of service is variable depending on schedule of tariffs and volumes
f) Payments are due quarterly by direct debit.

The Council may terminate the agreement at any time with six months' written notice to the Manager and the Manager may terminate the agreement with six months' written notice to the Council.

11.1.2 Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers. The performance of brokers is reviewed by the Chief Technical Accountant every year as part of the treasury strategy to see if any should be taken off the approved list and replaced by making appropriate recommendations to change the approved brokers list to the Director of Resources & S151 Officer.

Broker	Primary Contact	Backup Contact	Phone Number
Tradition UK	Lauren.Sewell@tradition.com	Locals.london@tradition.com	020 7422 3566
King & Shaxson	Camila.Schmid@kasl.co.uk	Teddy.McLaren@kasl.co.uk	020 7929 8497
Imperial	dcoverdale@imperialtreasury.co.uk	jcatterall@imperialtreasury.co.uk	078 0888 0708
BGC	sterlingtreasury@bgpartner.com	alex.matthew-jones@bgcpartners.com	020 7894 7742

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed annually by the responsible officer to check whether performance has met expectations.

a) The current advisors are MUFG Corporate Markets Treasury Limited.

b) Address:
65 Gresham Street
London
EC2V 7NQ

- Client Director Email: chris.scott1@uk.mpms.mufg.com
- Client Director Telephone: 0330 300 1927 / 07770 380582

- Assistant Client Director Email: kim.barrowcliffe@uk.mpms.mufg.com
- Assistant Client Director Telephone: 07592 119311

c) Regulatory status: investment adviser authorised by the FCA

d) Contract commenced on the 1st of April 2023 and runs for five years to the 31st of March 2028.

Other Consultancy services may be employed on short term contracts as and when required.

11.1.4 Credit Rating Agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1.1 List of Documents to be Made Available for Public Inspection

a. The Council is committed to the principle of openness and transparency in its treasury management function and in all its functions.

b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection: -

- Treasury Management Strategy including capital and investment strategy
- Annual Treasury Outturn Report
- Treasury Management mid-year report
- Quarterly budget monitoring reports
- Annual budget setting report
- Annual accounts, including financial instruments disclosure notes

- Corporate Plan
- Minutes of all Council meetings

Appendix 1. Environmental, Social and Governance risk management

Policy on ESG issues

ESG is an area that CIPFA is still working on after the 2022 revised codes. In particular, work will be needed to coordinate the priority which needs to be given to issues of security, liquidity and yield (SLY) while also accommodating ESG principles as a fourth priority and principle to apply.

The assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service Councils, focussed on more typical Treasury-type investments, is currently difficult to achieve. CIPFA, therefore, recommends authorities to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their Council's own relevant policies, such as environmental and climate change policies.

CIPFA does not expect that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level. At the current time the requirement is to bring awareness to the ESG impacts of investments.

The Council will need to consider that anything too restrictive in its ESG approach could have a material impact on potential counterparties, which could limit diversification and / or security considerations in investments processes. Risk management should always be first consideration for any investment. It will also have to be considered that any ESG policy may lead to a lower investment rate. Currently investments that pass the ESG requirements do not produce as high a rate of return as other investments, ESG investments are not widely available due to their lower return, and so the current CIPFA policy does not yet mark ESG a mandatory criterion with local authorities' investment portfolios.

Theses credit ratings provided are typically used by rating agencies as the basis for selecting suitable counterparties by Councils:

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*

- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*

- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will consider ESG (environmental, social and governance) factors into the decision-making process for investments although this will not yet be a leading consideration over security and yield. The Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council can use ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness**."*

For short term investments with counterparties, this Council utilises ratings which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process, including the addition of any new funds that have a high ESG rating without significantly reducing the yield of the Council's investment portfolio.

The Council will not invest in companies whose core activities pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values e.g.:

a. Human rights abuse (e.g., slave or child labour, political oppression).
b. Activities that damage the environment by extraction of fossil fuels, destruction of habitat, or creation of pollutants.
c. Socially harmful activities (e.g., tobacco, gambling).
d. Terrorism, including but not limited to the Manufacture of weapons.

Appendix 2 - Investment Management Practices for non-treasury investments

This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This Council will ensure that all the Council's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

1.1 Risk management

The Council does not approve investing in non-treasury investments to safeguard funds and generated a yield to the Council.

Currently the only non-treasury investments authorised by the Council are those that have been approved as part of its four-year Corporate Plan. For the 2023 -2027 Corporate Plan, the only approved instrument is the administration of housing loans to support the provision of affordable accommodation across the district, facilitated by the Strategic Housing Manager in tandem with the Treasury Officers.

These loans are approved by Full Council before being paid as there is a financial risk of a private company going bust which would cause a financial loss to the Council (no security of funds). Statements of accounts and received from all housing companies where loans have been issued on a minimum of an annual basis to monitor if there is any going concern to the Council's loans.

To ensure that there is no borrowing cost to the Council (and therefore taxpayer) of any housing loans (to prevent taxpayer money being used to fund a private business) all housing loans are issued at the current PWLB rate (the rate at which the Council would borrow to replenish the capital value of the loan agreed).

Treasury Outturn Report 2024/25	
Executive Summary	This report sets out the Treasury Management activities undertaken during 2024/25 compared with the Treasury Management Strategy for the year.
Options considered	For the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code) and CIPFA Treasury Management in the Public Services Code of Practice an outturn report must be presented to Members to inform them of the outcome of the Treasury Management activity for the year. Therefore, no other option has been considered.
Consultation(s)	Link Treasury Services have provided the economic information in Appendix A of this report.
Recommendations	That Governance Risk and Audit Committee reviews and recommends the outturn position to Full Council for approval.
Reasons for recommendations	The Treasury Management activity for the year requires approval by Full Council for the Council to comply with the CIPFA Treasury Management and Prudential Codes.
Background papers	This report refers to the Council's Treasury Management Strategy 2024/25.

Wards affected	All
Cabinet member(s)	Cllr. Lucy Shires
Contact Officer	Claire Waplington Claire.Waplington@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	This report shows the Council's current Treasury position and compares it with the cost of delivering its Capital Programme (CFR – Capital Financing Requirement). This shows the Council's current ability to finance its current Capital Programme.

Medium Term Financial Strategy (MTFS)	The Treasury Management activity during the year has been undertaken to ensure that the Council has sufficient access to liquid funds that it is requires to maintain its cashflow. Management of the Council's cash, investments and borrowing underpins the delivery of the Medium-Term Financial Strategy. This report provides details of the Council's investment and borrowing position and the Council's Capital Financing Requirement position, which together show the net debt position of the Council as at the end of the 2024/25 financial year.
Council Policies & Strategies	This report refers to the Council's Treasury Management Strategy 2024/25.

Corporate Governance:	
Is this a key decision	No
Has the public interest test been applied	This report is available to the public.
Details of any previous decision(s) on this matter	This is an annual report on the Council's Treasury position.

1. Purpose of the report

This report sets out the Treasury Management activities undertaken during 2024/25 compared with the Treasury Management Strategy for the year.

It is a requirement for this report to be presented Members to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code) and CIPFA Treasury Management in the Public Services Code of Practice. It provides Members with the current Treasury position of the Council.

2. Introduction & Background

This report shows the Council's current Treasury position compared with the cost of delivering its Capital Programme (CFR – Capital Financing Requirement). This shows the Council's current ability to finance its current Capital Programme.

The Council borrows and invests significant sums of money and is therefore exposed to financial risks including the losses in invested funds. There are also the revenue budget implications of a varying interest rate on the Council's investments. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy. **Appendix A – Annual Treasury Outturn Report 2024/25** provides the details of the Council's Treasury Management activity for the 2024/25 year and the final position as at 31 March 2025.

3. Proposals and Options

This report contributes towards the overall financial performance of the Council. It is recommended that the Council continues with its Treasury Management activity as outlined in the Treasury Management Strategy 2024-25.

4. Corporate Priorities

The Council's Treasury Management report supports the Medium-Term Financial Strategy through protecting the Council's funds and cash flows whilst minimising borrowing costs. This aligns with the corporate priority: A strong, responsible and accountable Council.

5. Financial and Resource Implications

The financial implications are contained in the report and in Appendix A. Treasury Management activities have been carried out in accordance with the Council's Treasury Management Strategy and comply fully with the CIPFA Codes of Practice. The Council has a Capital Programme that is fully funded.

Comments from the S151 Officer:

This Report provides details of the Treasury Management activity for the year. All activity has complied with the codes of practice and the Council's Treasury Management Strategy.

6. Legal Implications

This report must be presented to Members to ensure the Council is compliant with the CIPFA Treasury Management Code.

Comments from the Monitoring Officer

The Council needs to act in accordance with its Treasury Management Strategy and comply with the CIPFA codes of practice to keep Members informed.

7. Risks

This report addresses the potential risk that the Council does not have sufficient funds to finance its Capital Programme.

Full risks details are highlighted within Appendix A of this report.

8. Net Zero Target

Not applicable to this report.

9. Equality, Diversity & Inclusion

Not applicable to this report.

10. Community Safety issues

Not applicable to this report.

11. Conclusion and Recommendations

11.1. To conclude that Treasury activities for the year have been carried out in accordance with the CIPFA code and the Council's Treasury Strategy.

11.2. That Governance, Risk and Audit Committee recommend that the Treasury Management Outturn report for 2024/25 is approved by Full Council.

North Norfolk District Council

Annual Treasury Management Outturn Report 2024/25

Contents

Annual Treasury Management Review 2024/25

Purpose

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

For the financial year 2024/25, to comply with reporting requirements, Full Council has been provided with the following reports:

- An annual treasury strategy in advance of the year (Council 21 February 2024).
- A mid-year treasury update report (Council 19 February 2025).
- An annual review following the end of the year describing the activity compared to the strategy (this report).

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.

This Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview & Scrutiny Committee, before they were reported to the Full Council.

Executive Summary

During 2024/25, the Authority complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	31 March 2024 Actual (£m)	2024/25 Forecast (£m)	31 March 2025 Actual (£m)
Capital Expenditure	13.766	39.622	25.724
Capital Financing Requirement:	**17.474**	**20.198**	**18.379**
Short-term Borrowing (under 1 year)	6.700	0.000	2.000
Long-term Borrowing (over 1 year)	5.000	5.000	5.000
Total External Debt	**11.700**	**5.000**	**7.000**
Short-term Investments (under 1 year)	2.010	8.000	5.317
Long-term Investments (over 1 year)	20.000	22.581	20.000
Non-Treasury Investments (Housing Loans)	2.144	2.229	1.853
Total Investments	**24.154**	**32.810**	**27.170**
Net Borrowing/(Investments)	**(12.454)**	**(27.810)**	**(20.170)**

Other prudential and treasury indicators are to be found in the main body of this report. The Section 151 Officer also, confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

Recommendations

The Authority is recommended to:

1. Approve the actual 2024/25 prudential and treasury indicators in this report
2. Note the annual treasury management report for 2024/25

Introduction and Background

This report summarises the following:

- Capital activity during the year
- Impact of this activity on the Authority's underlying indebtedness (the Capital Financing Requirement)
- The actual prudential and treasury indicators
- Overall treasury position identifying how the Authority has borrowed in relation to this indebtedness, and the impact on investment balances
- Summary of interest rate movements in the year
- Detailed debt activity
- Detailed investment activity

1. The Authority's Capital Expenditure and Financing

The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund	31 March 2024 Actual (£m)	2024/25 Budget (£m)	31 March 2025 Actual (£m)
Capital expenditure	**13.766**	**39.622**	**25.724**
Capital Receipts	0.470	3.311	0.936
Grants	7.846	27.812	21.502
Contributions	1.035	2.783	1.064
Reserves	1.455	2.448	1.060
Revenue Contribution to Capital (RCCO)	0.100	0.000	0.000
Total Financed in year	**10.906**	**39.622**	**25.724**
Unfinanced capital expenditure (Borrowing)	**(2.860)**	**(3.268)**	**(1.162)**

2. The Authority's Overall Borrowing Need

The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Authority's indebtedness. It represents the 2024/25 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Authority's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Authority's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies or utilising temporary cash resources within the Authority.

Reducing the CFR – the Authority's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Authority is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Authority's 2024/25 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy Report for 2024/25 on 21 February 2024.

The Authority's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Authority's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR: General Fund	31 March 2024 Actual (£m)	2024/25 Budget	31 March 2025 Actual (£m)
Opening balance	15.111	17.474	17.474
Add unfinanced capital expenditure (as above)	2.860	3.267	1.162
Add Finance Leases *	0.000	0.000	0.310
Less MRP	(0.497)	(0.543)	(0.507)
Less Finance Lease repayments	0.000	0.000	(0.060)
Closing balance	**17.474**	**20.198**	**18.379**

**Includes reclassified leases due to introduction of IFRS 16 (see note 8D for explanation of the new standard).*

The authority has made no voluntary application of capital receipts (VRP) in 2024/25.

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Authority's gross borrowing position against the CFR, and demonstrates compliance with this prudential indicator.

CFR vs Gross Borrowing Indicator £m	31.3.24 Actual	2024/25 Budget	31.3.25 Actual
Gross borrowing position	11.700	5.000	7.000
CFR	17.474	20.198	18.379
Under / (over) funding of CFR	**5.774**	**15.198**	**11.379**

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2024/25 the Authority has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Treasury Limits Indicator (£m)	2024/25
Authorised limit	50.000
Maximum gross borrowing position during the year	**12.052**
Operational boundary	15.000
Average gross borrowing position	**6.147**

The above table shows that the maximum borrowing undertaken by the authority did not exceed the authorised limit. It also shows that the average borrowing position was below the operational boundary.

3. Treasury Position as of 31 March 2025

The Authority's treasury management debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Authority's Treasury Management Practices.

At the end of 2024/25, the Authority 's treasury position, (excluding borrowing by finance leases) was as follows:

DEBT PORTFOLIO	31 March 24 Principal (£m)	Rate/ Return (%)	Average Duration (Days)	31 March 25 Principal (£m)	Average Rate/Return (£m)	Average period (Days)
Fixed rate funding, short-term borrowing:						
Local Authority Borrowing	5.000	4.93	110	2.000	5.44	34
Police Authority Borrowing	0.000	4.55	85	0.000	0.00	0
Fire Authority Borrowing	0.000	0.00	0	0.000	0.00	0
Pension Fund Borrowing	1.700	5.63	37	0.000	5.55	32
Housing Authority Borrowing	0.000	0.00	0	0.000	0.00	0
Fixed rate funding, long-term borrowing:						
PWLB	5.000	5.39	393	5.000	5.39	28
Total debt	**11.700**	**5.09**	**156**	**7.000**	**5.43**	**31**
CFR	**17.474**			**18.379**		
Over / (under) borrowing	**(5.774)**			**(11.379)**		
Total investments	**24.154**	**4.81**		**27.171**	**4.95%**	
Net debt	**(18.380)**			**(15.792)**		

The maturity structure of the debt portfolio was as follows:

Debt Comparison	31 March 2024 Actual (£m)	31 March 2025 Actual (£m)
Under 12 months	6.700	2.000
12 months and within 24 months	5.000	5.000
24 months and within 5 years	0.000	0.000
5 years and within 10 years	0.000	0.000
10 years and within 20 years	0.000	0.000
20 years and within 30 years	0.000	0.000
30 years and within 40 years	0.000	0.000
40 years and within 50 years	0.000	0.000
Total Borrowing	**11.700**	**7.000**
Authorised Limit	50.000	50.000
Borrowing Limit Exceeded?	**No**	**No**

During 2023/24 the Council has secured a £5m long-term loan with the PWLB (Central Government Public Works Loans Board) running from the 27 March 2024 to 28 April 2025, secured at an interest rate of 5.39%.

The Treasury has identified that at any point of time, the Council had a £5m minimum borrowing requirement per year, for the last three financial years. Any extra borrowing above this sum was only required on a short-term basis caused by the timing differences between the Council's expenditure and sources of income (cash flow).

To avoid interest rate risk, a PWLB long-term loan was secured instead of renewing short-term borrowing on an ad-hoc basis. Relying on short-term borrowing throughout the financial year leaves the Council vulnerable to fluctuations in the economy and subsequent unknown interest rate hikes. The loan was secured for one year only, to allow for a potential decrease in interest rates at the end of 2024/25 and avoid locking the Council into a long-term loan with a high fixed rate of interest. Interest rates have been declining in 24/25 as forecasted by the Treasury and the Council's Treasury Advisors and this downwards interest rate trend is expected to continue into 25/26.

Overall, the Council's borrowing requirement has decreased by £4.7m at the financial year end. This is from increased efforts put towards management of the Council's cashflow, payment run processing and appropriate financing of the Council's capital programme by accountants and managers (limiting use of forward-funding projects etc.)

Subsequent to the year end, the Council agreed a further PWLB loan for £5m in April 2025 for a period of 1 year. This will also be reflected in the 2025/26 Treasury Management reporting.

The Council's investment portfolio was as follows:

INVESTMENT PORTFOLIO	31 March 2024		31 March 2025	
	Actual (£m)	Percentage of Portfolio	Actual (£m)	Percentage of Portfolio
Treasury investments				
Money Market Funds	2.010	8%	5.317	19%
Total managed in house	**2.010**	**8%**	**5.317**	**19%**
Strategic Bond Funds	5.000	21%	5.000	18%
Equity Income Funds	4.000	17%	4.000	15%
Property Funds	5.000	21%	5.000	18%
Multi-Asset Income Funds	6.000	24%	6.000	21%
Total managed externally	**20.000**	**83%**	**20.000**	**72%**
TOTAL TREASURY INVESTMENTS	**22.010**	**91%**	**25.317**	**91%**
Non-Treasury investments				
LN0001 – Broadland Housing	1.885	6%	1.615	6%
LN0002 – Homes for Wells	0.150	1%	0.133	1%
LN0003 – Homes for Wells	0.042	1%	0.041	1%
LN0004 – Homes for Wells	0.067	1%	0.064	1%
TOTAL NON-TREASURY INVESTMENTS	**2.144**	**9%**	**1.853**	**9%**
TOTAL ALL INVESTMENTS	**24.154**	**100%**	**27.170**	**100%**

The maturity structure of the investment portfolio was as follows:

COUNTERPARTY / INVESTMENT	Redemption Period	Investment Value 31 March 2025 (£m)
Aberdeen Standard / MMF	CALL	1.960
Blackrock / MMF	CALL	2.127
DWS / MMF	CALL	0.000
Federated Investors (UK) LLP / MMF	CALL	1.230
Goldman Sachs / MMF	CALL	0.000
Invesco AIM / MMF	CALL	0.000
CCLA (UK) Public Sector Deposit Fund / MMF	CALL	0.000
CCLA / Local Authorities Mutual Investment Trust	T + 6 months	5.000
M&G Securities / UK Income Distribution Fund	T + 3 days	2.000
Ninety-One / Diversified Income Fund	T + 3 days	3.000
Schroder Unit Trusts / Income Maximiser Fund	T + 4 days	2.000
Threadneedle / Strategic Bond Fund	T + 4 days	3.000
M&G Securities / Strategic Corporate Bond Fund	T + 3 days	2.000
Aegon Asset Management / Diversified Income Fund	T + 3 days	3.000
Broadland Housing (Housing Loan)	FIXED (Long-term loan)	1.615
Homes for Wells (Housing Loan)	FIXED (Long-term loan)	0.238
TOTAL		**27.170**

The Council has seven same day Money Market Fund (MMF) accounts which can be used to invest/redeem surplus cash around its daily cash requirements. For these MMF's there is no gain/loss on principal invested, they are secure but consequently provide a lower interest rate than alternative types of investment. Typically, interest rates match the current Bank of England Monetary Policy Committee set base rate or are slightly below. The cash balances invested in these counterparties fluctuate daily between £0.5m and £20m, the above table shows the balances at the outturn position.

The Council finished the year with seven investments in Pooled funds. These are intended for long-term investing to generate a higher interest return that the Council MMFs. The principal invested in Pooled Funds is more at risk than with MMFs as they are subject to gains/loss on fair value (change in sale price).

The Council has only invested in counterparties approved by its treasury advisors with thorough credit rating checks. All the Council's Pooled Fund investments are income funds, not accumulating funds.

The Council currently has four outstanding loans with Housing Associations (loans issued to support the provision of affordable housing in the district). These loans are agreed at the PWLB central government borrowing rate to ensure the Council is not funding private businesses at a cost to the authority.

To support the above investment portfolio, the below table summarises the interest earnt on the average amounts of the Council's investments during the last two financial years. The purpose of this table is to give members an idea of the rate of return on the Council's portfolio for each type of investment.

INVESTMENT INTEREST (£m)	31 March 2024			31 March 2025		
	Average Amount Invested	Interest Earnt (£m)	Average interest rate	Average Amount Invested	Interest Earnt (£m)	Average interest rate
Money Market Funds	7.242	0.359	4.96%	5.722	0.262	4.58%
Total managed in house	**7.242**	**0.359**	**4.96%**	**5.722**	**0.262**	**4.58%**
Short-Dated Bond Funds	0.923	0.029	3.12%	0.000	0.000	0.00%
Strategic Bond Funds	5.000	0.195	3.70%	5.000	0.196	3.93%
Equity Income Funds	5.426	0.292	5.38%	4.000	0.222	5.54%
Property Funds	5.000	0.307	6.13%	5.000	0.317	6.34%
Multi-Asset Income Funds	6.000	0.301	4.62%	6.000	0.303	5.04%
Total managed externally (Pooled Funds)	**22.349**	**1.124**	**5.03%**	**20.000**	**1.038**	**5.19%**
TOTAL TREASURY INVESTMENTS	**29.591**	**1.483**	**5.01%**	**25.722**	**1.300**	**5.05%**

Non-Treasury Investments (£m)	31 March 2024			31 March 2025		
	Actual Amount Invested	Interest Earnt (£m)	Loan interest rate	Actual Amount Invested	Interest Earnt (£m)	Loan interest rate
LN0001 - Broadland Housing Association	1.885	0.080	3.80%	1.615	0.069	3.80%
LN0002 - Homes for Wells	0.150	0.005	3.00%	0.133	0.005	3.00%
LN0003 – Homes for Wells	0.042	0.000	5.50%	0.041	0.002	5.50%
LN0004 – Homes for Wells	0.067	0.000	5.50%	0.064	0.004	5.50%
Total Loans	**2.144**	**0.085**	**3.95%**	**2.144**	**0.080**	**3.95%**

The Council currently only issues loans to Housing Providers as part of the Corporate Plan objective to provide affordable housing in North Norfolk. No other forms of loans have been issued. Consequently, the aim of these loans is not to provide a financial return to the Council. The interest rate of these loans is agreed at the central government PWLB rate. This is to ensure that the Council is not potentially borrowing money in the future to fund private businesses or paying borrowing interest on to fund.

The non-treasury investments (housing loans) are amortised loans where an element of principal and interest is repaid at agreed instalment dates. This allows the lender to repay the loan over time, lowering interest costs towards the end of the loan duration (the interest is calculated based on the most recent ending balance of the loan at each repayment interval). This approach allows for clearer financial reporting and risk management for both the borrower and the Council.

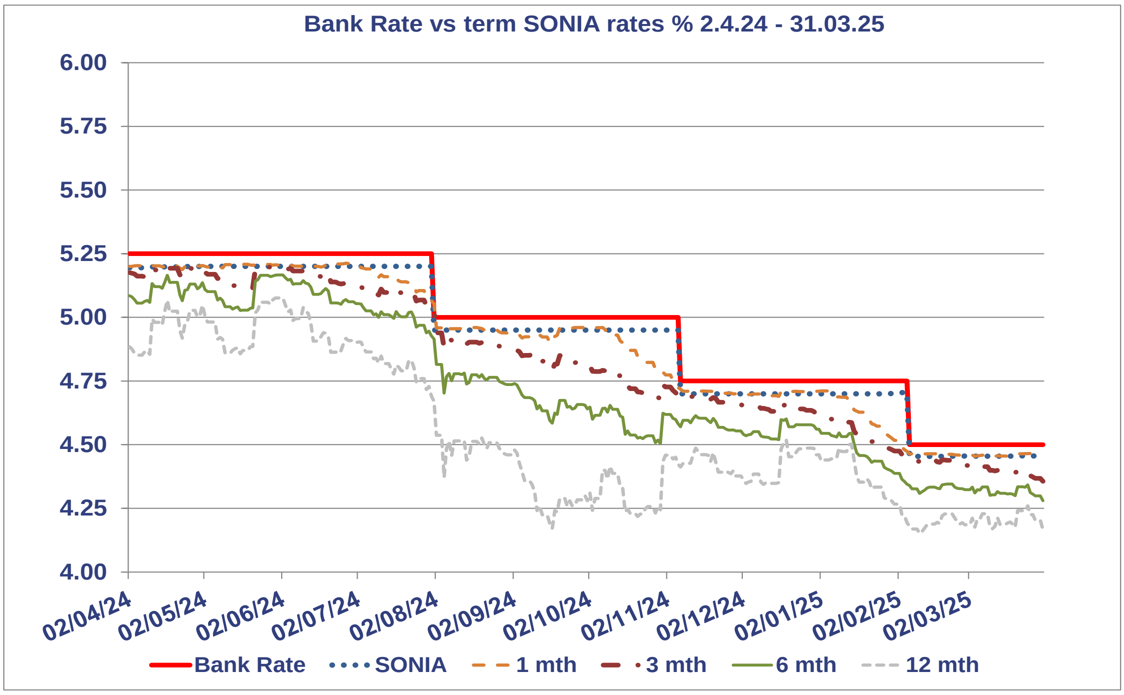
4. The Strategy for 2024/25

The Treasury strategy for managing the Council's interest rate risk was to continue its PWLB loan of £5m (long-term borrowing) to reduce the authorities need to take out continuous short-term borrowing. This in turn reduced the interest rate risk to the authority. If the cashflow requirement identified an additional borrowing need beyond the £5m loan, it was policy to only take out short-term borrowing for the shortest possible duration to minimise any unplanned additional borrowing interest costs to the authority.

This process has been followed throughout the year and has led to a greater ability to forecast year end borrowing costs, which has in turn allowed the Authority to accurately forecast the required year-end funding required to meet external borrowing costs throughout the financial year.

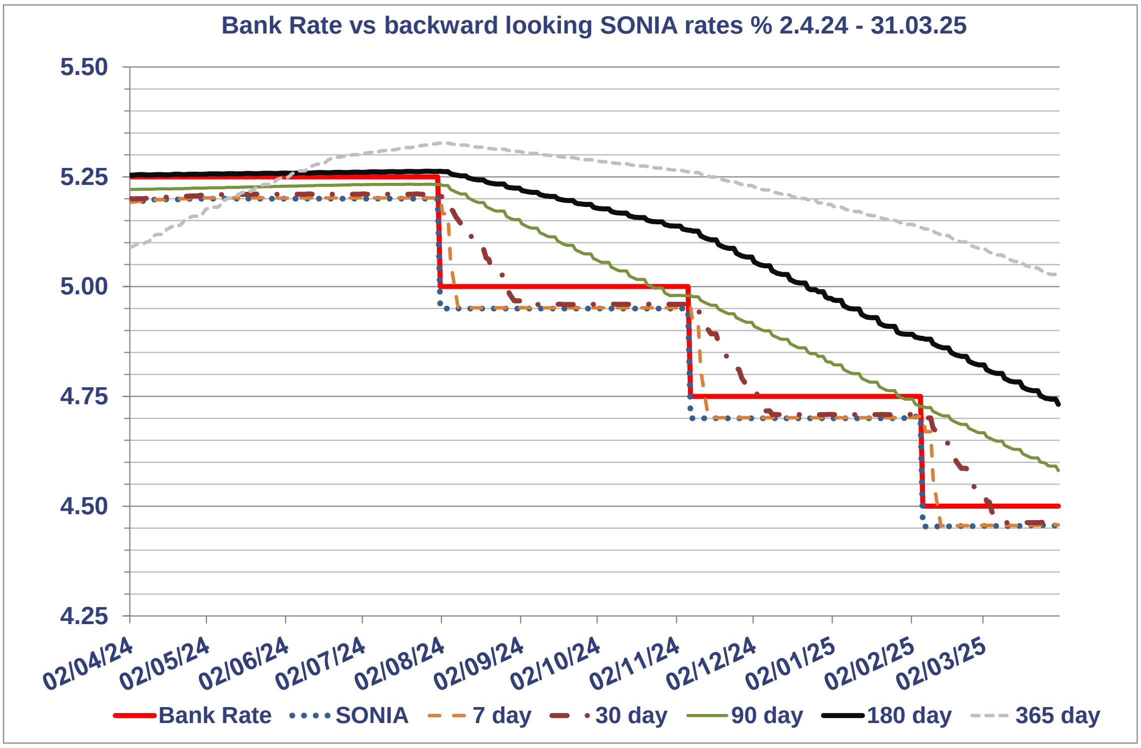
4.1 Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2024/25



FINANCIAL YEAR TO QUARTER ENDED 31/03/2025						
	Bank Rate	SONIA	1 month	3 months	6 months	12 months
High	5.25	5.20	5.21	5.20	5.17	5.08
High Date	02/04/2024	03/05/2024	27/06/2024	17/04/2024	31/05/2024	30/05/2024
Low	4.50	4.45	4.45	4.36	4.28	4.15
Low Date	06/02/2025	12/02/2025	04/03/2025	31/03/2025	31/03/2025	10/02/2025
Average	4.95	4.90	4.88	4.82	4.72	4.54
Spread	0.75	0.75	0.76	0.85	0.89	0.93

Investment Benchmarking Data – Sterling Overnight Index Averages (Backward-looking) 2024/25



FINANCIAL YEAR TO QUARTER ENDED 31/03/2025							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.25	5.20	5.20	5.21	5.23	5.26	5.33
High Date	02/04/2024	03/05/2024	13/05/2024	26/06/2024	26/07/2024	26/07/2024	01/08/2024
Low	4.50	4.45	4.46	4.46	4.58	4.73	5.02
Low Date	06/02/2025	12/02/2025	13/02/2025	12/03/2025	31/03/2025	31/03/2025	31/03/2025
Average	4.95	4.90	4.91	4.94	5.02	5.11	5.22
Spread	0.75	0.75	0.75	0.75	0.65	0.53	0.30

4.2 Borrowing strategy and control of interest rate risk

During 2024/25, the Authority maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Treasury therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- If it had been felt that there was a significant risk of a sharp FALL in long and short-term rates (for instance, due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- If it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

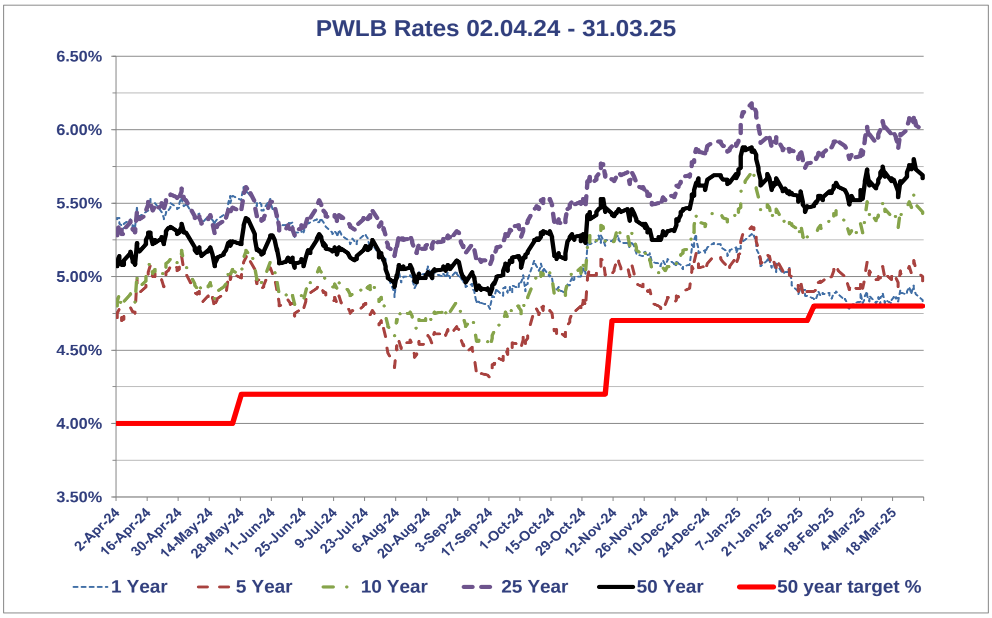
Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. The Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.

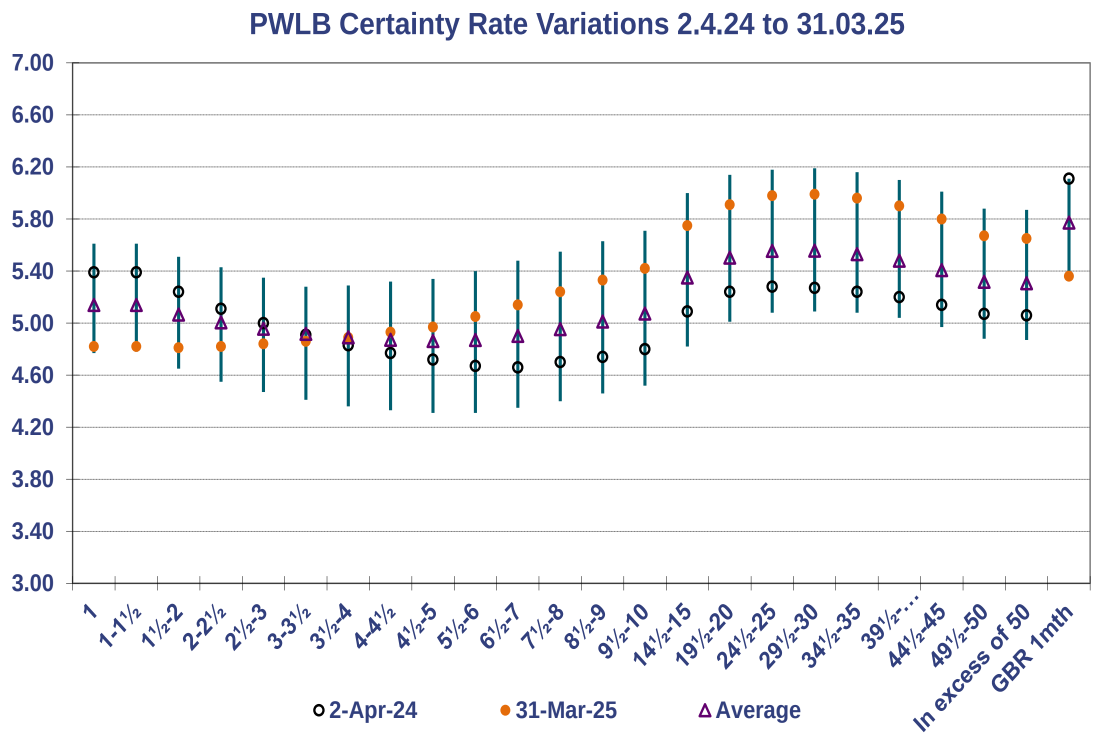
At the start of April 2025, following the introduction of President Trump's trade tariffs policies, the market now expects Bank Rate to fall to 3.75% by the end of December 2025, pulling down the 5- and 10-year parts of the curve too.

This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

Forecasts at the time of approval of the treasury management strategy report for 2024/25 were as follows:

MUFG Corporate Markets Interest Rate View 05.02.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month average earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month average earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month average earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 year PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 year PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
15 year PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
20 year PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	4.00	3.90	3.90	3.90





HIGH/LOW/AVERAGE PWLB RATES FOR 2024/25

MUFG Corporate Markets Interest Rate View 05.02.24					
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.77	4.31	4.52	5.08	4.88
date	26/02/2025	17/09/204	17/09/2024	17/09/2024	17/09/2024
High	5.61	5.34	5.71	6.18	5.88
Date	29/05/2024	13/01/2025	13/01/2025	13/01/2025	09/01/2025
Average	5.14	4.86	5.07	5.56	5.32
Spread	0.84	1.03	1.19	1.10	1.00

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. Therefore, central banks do not need to raise rates as much, to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative, on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post Covid, then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the Federal Reserve System, European Central Bank and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Gilt yields have been volatile through 2024/25. Indeed, the low point for the financial year for many periods was reached in September 2024. Thereafter, and especially following the Autumn Statement, PWLB Certainty rates have remained elevated at between c5% - 6% apart from the slightly cheaper shorter dates.

At the close of 31 March 2025, the 1-year PWLB Certainty rate was 4.82% whilst the 25-year rate was 5.98% and the 50-year rate was 5.67%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
- **HRA Borrowing rate** is gilt plus 40 basis points (G+40bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves lower.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

5. Borrowing Outturn

Treasury Borrowing – The following is a record of all borrowing undertaken by the authority in 2024/25 with the interest payable being a revenue expense to the Council.

Lender	Principal £m	Interest Rate Type	Interest Rate %	Maturity days	Interest payable in 2024/25 (£)
Cambridgeshire & Peterborough Combined Authority	5.000	Fixed	5.55	25	18,246.57
Middlesbrough Borough Council Pension Fund	1.700	Fixed	6.50	38	11,201.37
Norfolk County Council	0.352	Fixed	6.00	1	57.80
London Borough of Havering Council	3.500	Fixed	5.35	14	7,182.19
Middlesbrough Borough Council Pension Fund	5.900	Fixed	5.27	14	11,926.08
Norfolk County Council	1.800	Fixed	5.01	12	2,964.82
Neath Talbort County Borough Council	3.500	Fixed	5.00	7	3,356.16
Causeway Coast and Glens Borough Council	2.000	Fixed	6.35	31	5,915.07
Total			**5.47**		**60,850.06**

Borrowing in advance of need
The Authority has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.

Rescheduling
No debt rescheduling has been undertaken during the year as the approximate 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Early Repayments
The Council did not make early repayment of any agreed loans during 2024/25.

6. **Investment Outturn**

Investment Policy – the Authority's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Authority. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

Investments held by the Authority.

- The Authority maintained an average balance of £27.170m of internally managed funds.
- The internally managed funds earned an average rate of return of 5.08%.
- The comparable performance indicator is the overnight (O/N) SONIA rate, which was 4.90% (see table below).
- This compares with a budget assumption of £33.797m investment balances earning an average rate of 5.52%.
- Total investment income was £1.380m compared to a budget of £1.866m, an adverse variance of £0.486m

Returns:	%
O/N SONIA	4.8979
O/N SONIA Compounded	5.0195
1m fwd SONIA	4.8783
1m fwd SONIA Compounded	5.0231
3m fwd SONIA	4.8181
3m fwd SONIA Compounded	5.0258
6m fwd SONIA	4.7182
6m fwd SONIA Compounded	4.9254
7d back SONIA	4.9080
7d backward SONIA Compounded	5.0355
30d backward SONIA	4.9401
30d backward SONIA Compounded	5.0961
90d backward SONIA	5.0151
90d backward SONIA Compounded	5.2068
180d backward SONIA	5.1110
180d backward SONIA Compounded	5.3231
365d backward SONIA	5.2188
365d backward SONIA Compounded	5.0896

7. The Economy and Interest Rates

UK Economy

UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% year on year, the CPI measure of inflation briefly dipped to 1.7% year on year in September before picking up pace again in the latter months. The latest data shows CPI rising by 2.8% year on year February, but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.

Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth because of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. The Bank Rate currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).

Moreover, borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	UK	Eurozone	US
Bank Rate	4.50%	2.5%	4.25%-4.5%
GDP	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
Inflation	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 4.5% by a vote of 8-1, but suggesting further reductions would be gradual. The Bank of England was always going to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpin our view that the Bank will eventually reduce rates to 3.50%.

Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3.75% in Q3. And while in February it said, "inflation is expected to fall back thereafter to around the 2% target", this time it just said it would "fall back thereafter". That may be a sign that the Bank is getting a bit more worried about the "persistence in domestic wages and prices, including from second-round effects". Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking "a gradual and careful" approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

From a fiscal perspective, the increase in businesses' national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government's efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness amongst the British workforce. Currently wages continue to increase at a rate close to 6% y/y. The MPC would prefer a more sustainable level of c3.5%.

As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3 March 2025. Pound Sterling has also endured a topsy-turvy time, hitting a peak of $1.34 before dropping to $1.22 in January and then reaching $1.27 in early April 2025.

USA Economy

Despite the markets willing the Federal Open Market Committee (FOMC) to repeat the rate cut medicine of 2024 (100 basis points in total), the Fed Chair, Jay Powell, has suggested that the Federal Reserve System Funds Rate will remain anchored at 4.25%-4.5% until inflation is under control, and/or the economy looks like it may head into recession as a consequence of President Trump's tariff policies.

Inflation is close to 3% and annualised growth for Q4 2024 was 2.4%. With unemployment just above 4%, and tax cuts in the pipeline, the FOMC is unlikely to be in a hurry to cut rates, at least for now.

Eurozone Economy

The Eurozone economy has struggled throughout 2024 and is flat lining at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term.

With GDP currently below 1% in the Eurozone, the European Central Bank (ECB) is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

8. **Other Issues**

A. IFRS 9 fair value of investments

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government (MHCLG) on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2029, except for any new pooled investments from 1st April 2024. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override for the Government to keep the override under review and to maintain a form of transparency.

This is beneficial to the authority. Previously the long-term Pooled Fund investments had a significant fair value gain, however during the COVID pandemic the values of almost all shares globally fell sharply in value during the difficult economic times. Although share prices have slowly recovered since, as at the end of 2024/25, the Council's long-term investments still have an overall fair value loss of £0.181m against a total value of £20m. Although this is not a huge value, if the IFRS 9 statutory override had not been extended to 2029, the authority would have been required to set aside a treasury reserve to the value of £0.181m which would have negatively impacted the year-end financial position.

B. Changes in risk appetite

The Treasury has not changed its risk appetite during the year 2024/25. The focus of the treasury is to safeguard taxpayers' money by investing in low-risk counterparties and maintaining a diverse portfolio, and then secondly to generate a return on investments. All borrowing is undertaken at the lowest rates available.

C. Counterparty limits

The counterparty limits have not changed during 2024/25 as set out in the Treasury Strategy 2024/25.

D. IFRS 16

From 1st April 2024, a new International Financial Report Standard, IFRS 16, came into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use' asset class to the balance sheet from 2024/25 and onward and recognises the corresponding lease liability. The standard was primarily intended to bring transparency to leases in the financial statements of companies, by reducing the number of off-balance sheet leases, to enable informed comparisons within business sectors.

The impact from the 1st Aril 2024, will mean any current or new operational leases, not exempt due to certain conditions, will now be recognised on the balance sheet as a 'Right of Use' asset with a corresponding lease liability. This has financial implications for the Council's Treasury Management Strategy, its Capital Programme and its Financial Statements.

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Exemptions granted from 12 March 2025 to 20 May 2025

Date	Contractor	Type of Work	Amount (rounded to nearest pound)	Exemption (Chapter 9, Paragraph 11, Constitution)
20/3/25	Datatank Ltd	Second Home property monitoring review.	£11,000	(g) are for the supply of goods or services where there is only one supplier and no acceptable alternative;
22/4/25	M J Trees	Tree surveys and specialist tree works	£60,000	(l)The contract is an extension to an existing contract and a change of supplier would cause disproportionate technical difficulties, diseconomies of scale or significant disruption to Council services
16/5/25	Vertas Energy	Managing the Council's energy portfolio over the including payments and invoicing	£28,500	(l)The contract is an extension to an existing contract and a change of supplier would cause disproportionate technical difficulties, diseconomies of scale or significant disruption to Council services (such as software procurement).
16/5/25	Flowbird	Annual maintenance and back office for pay and display machines	£44,096.10	(l)The contract is an extension to an existing contract and a change of supplier would cause disproportionate technical difficulties, diseconomies of scale or significant disruption to Council services (such as software procurement).

Notes

- The previous period reported to GRAC was for the period 18 November 2024 to 12 March 2025
- In that period 3 exemptions were reported to the Committee.
- The next reporting period to GRAC will follow on from the last reporting period.

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GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2025/2026

Topic	Lead Officer	Comments	Cycle
25 March 2025			
Internal audit plan 2025/26 – Charter & Mandate	Internal Audit – Teresa Sharman		Annual
GRAC self-assessment	*Internal Audit – Teresa Sharman*	*Deferred until action plan from the one we did last year has been completed*	Annual
Internal Audit Progress & Follow-up Report	Internal Audit – Teresa Sharman	To review progress on internal audit recommendations	Quarterly
Corporate Risk Register	Director for Resources	To review the corporate risk register	Quarterly
Procurement Exemptions Register	Monitoring Officer	To review Procurement Exemptions	Quarterly
Review of Council's Asset Register	Director for Resources	To review the number and value of Council assets	Committee Request
03 June 2025			
Internal Audit Progress & Follow up report	Internal Audit	To review progress on internal audit recommendations	Quarterly
Annual Report/ Opinion & Review of the Effectiveness of Internal Audit	Internal Audit	Tbc – *could slip to September*	Annual
GRAC self-assessment	Internal Audit	*Tbc (see note for March)*	Annual
External Audit Plan for 2024/25	External Auditor	Tbc – could slip to July meeting	Annual
Corporate Risk Register	AD for Resources	To review the corporate risk register	Quarterly
Procurement Exemptions Register	Monitoring Officer	To review Procurement Exemptions	Quarterly
Treasury Management Code of Practice	AD for Resources	To review updated version	One off
Treasury Management Half-Yearly report	AD for Resources	To review and recommend to Full Council	Annual
08 July 2025			
Annual Accounts sign-off	External Audit	*Likely to take place later in the year*.	
09 September 2025			
External Audit Results report 2023/2024	External Audit	*May slip to December*	Annual
Internal Audit Progress & Follow up report	Internal Audit	To review progress on internal audit recommendations	Quarterly

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2025/2026

GRAC Annual report	Committee Officer	To review the Committee's work over the previous year (tbc if Committee want to continue with this)	Annual
AGS 2024/2025 & Local Code of Corporate Governance	Director for Resources	To approve the AGS	Annual
Monitoring Officer's Annual Report	Monitoring Officer	To review the MO Annual report	Annual
Corporate Risk Register	Director for Resources	To review the register	Quarterly
Procurement Exemptions Register	Monitoring Officer	To receive the procurement exemptions register	Quarterly
December 2025			
Risk Management Framework	Director for Resources	To review and comment on the Risk Management Framework	Annual
Corporate Risk Register	Director for Resources	To review the register	Quarterly
Internal Audit Progress & Follow-up Report	Internal Audit	To review progress on internal audit recommendations	
Civil Contingencies Update	Resilience Manager	To receive the Civil Contingencies Update	Annual
Business Continuity Framework	Resilience Manager	To review the Business Continuity Framework	Bi-Annual
Procurement Exemptions Register	Monitoring Officer	To review Procurement Exemptions	Quarterly
Committee Self-Assessment Action Plan	Monitoring Officer	To complete the action plan	Annual
Treasury Management Strategy	Director for Resources	To review the Annual TMS and recommend to Full Council for approval	Annual
External Audit Plan (Letter) 2025/2026	External Audit		Annual