

AUDIT AND GOVERNANCE COMMITTEE

AGENDA

Meeting to be held on Friday 21 July 2023 at 1.30pm in Committee Room 1, City Hall, Plater Way, Sunderland, SR1 3AA

ITEM		PAGE
1.	Receipt of Declarations of Interest (if any)	
2.	Apologies	
3.	Minutes of the Meeting of the Committee held on Friday 28 April 2023 (Copy attached.)	1
4.	Annual Report on the Work of the Committee 2022/2023 Report of the Director of Finance (copy attached).	7
5.	Treasury Management – Review of Performance 2022/2023 Report of the Director of Finance (copy attached).	11
6.	Treasury Management – First Quarterly Review 2023/2024 Report of the Director of Finance (copy attached).	19
7.	Council’s Going Concern Status Report Report of the Director of Finance (copy attached).	33

8. **Data Protection Annual Report** 39

Report of the Data Protection Officer (copy attached).

9. **Dates and Times of Next Meetings** -

The meeting schedule for 2023/2024 is as follows: -

Friday 22 September 2023 at 1.30pm

Friday 2 February 2024 at 1.30pm

Friday 26 April 2024 at 1.30pm

ELAINE WAUGH

Assistant Director of Law and Governance

City Hall
Sunderland

13 July 2023

AUDIT AND GOVERNANCE COMMITTEE
Friday 28 April 2023

Present:

Mr G N Cook in the Chair

Councillors P Gibson, Nicholson and P Wood together with Mr M Knowles.

In Attendance:

Paul Wilson (Director of Finance) Tracy Davis (Senior Manager - Assurance), Richard Wright (Chief Information Officer), Paul Thompson (Information Security Manager), Mark Kirkham and Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillors Stewart and Trueman.

Minutes

20. RESOLVED that the minutes of the meeting of the Committee held on 3 February 2023 be confirmed as a correct record.

Annual Governance Review/Annual Governance Statement 2022/2023

The Director of Finance submitted a report providing details of the 2022/2023 Annual Governance Review, the Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. The draft Annual Governance Statement and an improvement plan for the year ahead were included.

The Committee had approved the Risk and Assurance Map for 2022/2023 in April 2022, together with the plans of work for the Internal Audit and the Risk and Assurance teams. These plans covered the Council and its wholly owned companies.

The Local Code of Corporate Governance was reviewed annually to ensure that it was up to date and effective and this year's review had not highlighted any required amendments and the current version of the Code remained relevant. The Council was also required to publish an Annual Governance Statement (AGS) with its Statement of Accounts which was to be supported by a comprehensive assurance gathering process.

The Annual Governance Review had considered assurance provided from Assistant Directors, Executive Directors and Directors, specialist functions, the Risk and Assurance Team, Internal and External Audit and other external agencies. These assurances were shown in the Risk and Assurance Map which had all elements marked as Green or Amber.

The Committee were advised that there had been a shortage of staff resources in the Internal Audit team during the year and an external internal audit firm had been engaged. A small number of audits had been carried forward into 2023/2024 with the agreement of Chief Officers. All of the Key Performance Indicators for Internal Audit for 2022/2023 had been achieved.

The report also set out the planned counter fraud and error work undertaken during the year and whilst there were no significant issues highlighted there were some opportunities identified for improvements to the control environment.

Progress on the actions in the corporate governance improvement plan for 2022/2023 had been reviewed and it was found that all five actions were complete and as a result of the review, two new actions would be included in the improvement plan for 2023/2024.

The Annual Governance Statement had been drafted taking into account the findings of the annual governance review and was attached as appendix 3 to the report.

The opinion of the Head of Internal Audit had been reported to the Committee throughout the year and the opinion continued to be that the Council had an adequate system of internal control.

Having considered the report, it was: -

21. RESOLVED that: -

- (i) the report and Risk and Assurance Map at Appendix 1 be noted;
- (ii) the Improvement Plan at Appendix 2 be agreed; and
- (iii) the draft Annual Governance Statement at Appendix 3 be agreed.

Risk and Assurance Map 2023/2024

The Assistant Director of Assurance and Property Services submitted a report which asked the Committee to consider: -

- the proposed Risk and Assurance Map and the supporting plans of work for the Internal Audit and Risk and Assurance teams for 2023/2024; and
- Internal Audit's key performance measures and targets for 2023/2024.

The Risk and Assurance Map for 2023/2024 set out where assurance would be obtained from, including the plans of work for Internal Audit and Risk and Assurance for the coming year.

The key areas of work for the Risk and Assurance team included obtaining assurance on the progress in relation to the actions identified to manage risks in the Strategic Risk Profile and providing risk management support to senior managers as required.

Internal audit work would include the following: -

- Continuing audit work in relation to the Council's Housing Service
- Contract Management arrangements in relation to the Council's PFI contracts and other significant contracts in place
- Port: Delivery of the Business Plan and Resilience to continue to service the Port's business commitments
- Adult Social Care assessment and support arrangements
- Protection of vulnerable adults' property
- Programme Management Arrangements in relation to regeneration activity
- Compliance with Caldicott Arrangements
- Audits of maintained school are scheduled over a three-year cycle
- Completion of audit certificates where grant funders require verification that monies have been spent in line with grant conditions
- A range of audits of the Council's financial systems and will be undertaken in line with an agreed five-year rolling plan.
- Each of the Council's companies had their own audit plan, the results of which would feed into the Risk and Assurance Map.

The Key Performance Indicators would remain the same and progress reports would be presented to the Committee during the year.

Mr Knowles asked if the team ever looked at plans from other organisations to make sure that nothing had been missed. The Senior Manager – Assurance stated that regular discussions took place regionally and external auditors provided updates which informed the Risk and Assurance Map; most new additions to the Map came through consultation with officers.

22. RESOLVED that the report be noted.

Proposed Forward Plan of Reports for 2023/2024

The Director of Finance submitted a report presenting the proposed Forward Plan of reports for 2023/2024 for consideration and comment.

Members were advised that this was an annual report setting out the reports which would allow the Committee to fulfil its role throughout the municipal year.

23. RESOLVED that the proposed Forward Plan of reports be agreed.

Member Training and Development

The Director of Finance submitted a report providing the Committee with the opportunity to identify areas for which they required any further training/refresher/awareness sessions to be arranged.

It was proposed that a briefing session on the statement of accounts be held in June/July and a session on Treasury Management be delivered by the Council's Treasury Management Advisors via Teams in October. Any new Members appointed to the Committee at the Annual Meeting of the Council would also be offered an induction session.

At this juncture, the Chair placed on record his thanks on behalf of the Committee to Councillors Gibson and Wood for their valuable contribution during their time as members of the Audit and Governance Committee. He wished them both well in their retirement.

24. RESOLVED that: -

- (i) it be agreed to receive a briefing session regarding the 2022/2023 Statement of Accounts;
- (ii) it be agreed to receive a training session regarding Treasury Management; and
- (iii) further areas for training/awareness sessions be suggested.

External Auditor's Progress Report

Mazars, the Council's external auditors, had submitted a report which outlined the progress in delivering its responsibilities as the external auditors and included, at Section 2, a summary of recent reports and publications.

Diane Harold was in attendance to talk to the report and introduced Mark Kirkham as the new Engagement Lead for the Council. She advised since the last progress report, the infrastructure issue had been resolved, the Pension Fund auditor assurance had been received and the auditor's formal findings would be reported in a follow-up letter to the Audit Completion Report.

There was a new national issue around accounting estimates and the pensions valuation carried out every three years and completed towards the end of March 2022 had highlighted some significant shifts in pension figures. This was being given consideration by all audit firms and CIPFA were planning to issue some guidance on this in the next week.

Mark Kirkham added that very few 2021/2022 audits had been signed off due to this issue. The Director of Finance commented that regionally, Durham County Council's Accounts had been signed off but other local authorities, combined authorities and Nexus were in the same position. He highlighted that the valuation had led to funding levels being better than at the last valuation and liabilities did not exceed funds.

Diane also advised that a draft Auditor's Annual Report was prepared and would be ready to complete when the go ahead was received.

There was no formal audit plan for 2022/2023 due to the issues around estimates however the significant risks were the same as the previous year: management override of controls; valuation of property, plant and equipment; and net defined benefit liability valuation. There was no change to the audit approach for the forthcoming year and Mazars had discussed what they planned to do with officers.

25. RESOLVED that progress report be noted.

Local Government (Access to Information) (Variation) Order 2006

At the instance of the Chair, it was: -

26. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it was considered to involve a likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information) (Local Government Act 1972, Schedule 12A, Part 1, Paragraph 3). The public interest in maintaining this exemption outweighs the public interest in disclosing the information.

Cyber Security

Richard Wright, Chief Information Officer and Paul Thompson, Information Security Manager, were in attendance to deliver a presentation on the Council's approach to cyber security.

The Committee were advised of the Sunderland City Council position and action being taken in relation to prevention, response, recovery and assurance.

Accordingly, it was: -

27. RESOLVED that the information contained in the presentation be noted.

Dates and Times of Next Meetings

28. RESOLVED that the following schedule of meetings be noted: -

Friday 21 July 2023 at 1.30pm
Friday 22 September 2023 at 1.30pm
Friday 2 February 2024 at 1.30pm
Friday 26 April 2024 at 1.30pm

(Signed) G N COOK
Chair

AUDIT AND GOVERNANCE COMMITTEE

21 July 2023

ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2022/23

Report of the Director of Finance

1. Purpose of Report

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2022/23 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by the Committee.

2. Purpose and Role of the Committee

- 2.1 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its main objectives are to:

- Provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment and reporting arrangements that underpin good governance and financial standards.
- Oversee the annual financial reporting and governance processes.
- Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

- 2.2 Its role is to:

- approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be);
- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;

- receive, consider and monitor reports on treasury management policy, strategy and practices.

3. Matters Considered

3.1 The Committee met four times during the year to consider its business. All appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings were the Director of Finance, Assistant Director of Assurance and Property Services, Chief Accountant, Senior Manager - Assurance and the Council's External Auditors.

3.2 To enable the Committee to fulfil its role as set out in paragraph 2.1, a range of reports were considered, as follows:

- a) Members were provided with an update on the City plan and the assurance and review arrangements in place. Members were pleased that key partners and stakeholders across the City were being involved in the review.
- b) The Committee endorsed the Risk and Assurance Map for 2022/23 which sets out the key risk areas for the Council, the assurance that would be gathered in relation to them and where the assurance would be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for the year.
- c) Progress reports in relation to the Risk and Assurance Map were presented to the Committee. These provided details of the level of assurance for the strategic and corporate risk areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies.
- d) Specific key issues were highlighted within the Risk and Assurance Map update reports for members to consider further, members raised queries, including, work in relation to the strategic risk areas/City Plan, changes to risk scores and the actions being taken address them and how the risk scores are evaluated for new risks.
- e) External Auditors provided progress reports to each meeting, the Annual Audit Letter, Audit Completion Report, and the Review of the Council's arrangements for securing value for money. The External Auditor also presented their Audit Strategy Memorandum setting out their work for the coming year.

- f) The results of the Annual Governance Review for 2021/22 were presented, which summarises the overall governance arrangements in place within the Council and made recommendations for further improvement. The head of internal audit's opinion on the Council's internal control environment was positive. The resultant Annual Governance Statement highlighted the good corporate governance arrangements in place and was approved by the Committee and included within the Council's Statement of Accounts.
- g) The annual Statement of Accounts 2021/22 (subject to audit) was issued to the Committee members and published online in line with the extended statutory deadline. The audited accounts were presented at the November 2022 Committee meeting. The Chair thanked the External Auditor and the Finance team for their work on the Statement of Accounts.
- h) There is a requirement to undertake an annual assessment of the Council's status as a going concern in line with the CIPFA/LASAAC Code of Practice. The Committee received the report in relation to this which sets out the evidence relied upon to make the assessment.
- i) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee asked questions in relation to various aspects of the reports, including the potential impact of the increase in inflation and interest rates.
- j) The Committee received the Data Protection Annual Report 2021/22 which is reported to the Committee on an annual basis.

3.3 From the reports presented the Committee has been proactively monitoring activity in a number of important areas, as follows:

- *Risk and Assurance Map* – The Committee closely monitored activity in relation to changes to the strategic risk scores. In particular numerous questions were asked following a presentation regarding the Council's arrangements to reduce carbon emissions.
- *Treasury Management* – The Committee has received regular updates regarding the Council's performance in relation to Treasury Management. Members questioned the potential impact of increases in inflation and interest rates.
- *Cyber Security* – Queries were raised regarding the Council's arrangements for cyber security which resulted in a presentation by the Chief Information Officer setting out the threats and activity to protect the Council.

- 3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate.
- 3.5 The Chartered Institute of Public Finance and Accountancy has issued further guidance in relation to effectiveness of Audit Committees in local government. This is currently being reviewed and any improvements required will be considered in the next review of the remit and effectiveness of the Committee during 2024.

4. Recommendation

- 4.1 The Committee is asked to consider the report and provide any comments for inclusion prior to the report being presented to Council.

AUDIT AND GOVERNANCE COMMITTEE

21 July 2023

TREASURY MANAGEMENT – REVIEW OF PERFORMANCE 2022/2023

Report of the Director of Finance

1 Purpose of the Report

- 1.1 To report on the Treasury Management borrowing and investment performance for 2022/2023.

2 Description of Decision (Recommendation)

- 2.1 The Committee is requested to note the Treasury Management performance for 2022/2023.

3 Introduction

- 3.1 This report sets out the annual borrowing and investment performance for the financial year 2022/2023 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by Council on 2nd March 2022. The Treasury Management Strategy comprises the approved Council strategy for borrowing and its policies for managing its investments (which give priority to the security and liquidity of the funds over yield of those investments).
- 3.2 The Treasury Management Policy Statement and Strategy complied with best practice, including the Ministry of Housing, Communities and Local Government's 'Statutory Guidance on Local Government Investments' updated in February 2018 and also incorporates the recommendations included in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, updated in December 2017.

4 Review of Performance 2022/2023

Summary

- 4.1 The performance of the Council's Treasury Management function continues to maximise financial savings. The average interest rate of the Council's borrowing at 2.55% is low and the Council's treasury management advisor reports this compares favourably with their other local authority clients as does the 2.16% rate of return achieved on investments.
- 4.2 Whilst the impact of Covid-19 on financial markets has subsided, this has been replaced by the global fallout of Russia's invasion of Ukraine in February 2022 and heightened tension between China, Taiwan and the United States. Unprecedented pressure on household incomes linked to soaring energy prices and food bills which haven't been offset by wage growth has added to tensions in the economy.

Borrowing Strategy and Performance – 2022/2023

- 4.3 The basis of the agreed Borrowing Strategy was to:
- continuously monitor prevailing interest rates and forecasts;
 - secure long-term funds to meet the Council's future borrowing requirement when market conditions were favourable;
 - use a benchmark financing rate of 3.00% for long-term borrowing (i.e. all borrowing for a period of one year or more); and
 - take advantage of debt rescheduling opportunities as appropriate.
- 4.4 The Borrowing Strategy has been reviewed by this Committee in July and November 2022 and February 2023 and was updated where necessary to reflect changing circumstances. The Borrowing Strategy for 2022/2023 was based upon internal expertise, supplemented with market data, market information and leading economic forecasts provided by the Council's treasury management adviser, Link Asset Services.
- 4.5 The strategy for 2022/2023 was to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 3.00% for long-term borrowing was set for 2022/2023 in light of the views prevalent at the time the Treasury Management policy was set in March 2022.
- 4.6 Interest rate rises in 2022/2023 were originally expected to be small and gradual but by August 2022 it had become clear that inflation was moving up towards 40-year highs and the Bank of England (BoE) would need to take action. The Base Rate started April 2022 at 0.75% but has risen by between 0.25% and 0.75% at each of the next eight meetings of the Monetary Policy Committee (MPC), reaching 4.25% on 23rd March 2023 in an attempt to combat ongoing inflationary pressures, even at the risk of hampering growth, without pushing the economy into recession.
- 4.7 Consumer Price Index (CPI) inflation surged during the year, peaking at 11.1% in October 2022 and any hopes for significant falls from this level will largely depend on movements in the gas and electricity markets as well as supply-side factors impacting food prices. Whilst most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023, as at February 2023 the rate was 10.4% which is over five times the BoE target of 2%.
- 4.8 Link Asset Services originally expected a gradual rise in PWLB rates over the course of 2022/2023, reflecting an easing of Covid restrictions and the anticipated return to normality. However the escalating conflict in Ukraine, other geo-political tensions, the fallout from the government's huge fiscal loosening plans announced by the then Chancellor and spiralling inflation meant volatility in the financial markets continued. 50-year PWLB interest rates started the financial year in April 2022 at 2.42% (inclusive of the 0.20% discount available to Local Authorities) and rose steadily until reaching a peak of 5.51% on 28th September 2022. From then rates fell to 3.58% at the end of November 2022 before gradually rising to end the financial year at 4.41%.

4.9 The following table shows the average PWLB borrowing rates for each quarter in 2022/2023.

2022/2023	Qtr 1 (Apr - June) %	Qtr 2 (July – Sept) %	Qtr 3 (Oct – Dec) %	Qtr 4 (Jan – Mar) %
SONIA Overnight Rate	0.89	1.55	2.75	3.77
1 year	2.32*	3.27*	4.16*	4.48*
5 year	2.58*	3.25*	4.38*	4.22*
10 year	2.84*	3.41*	4.44*	4.31*
25 year	3.08*	3.79*	4.67*	4.70*
50 year	2.81*	3.52*	4.20*	4.39*

* Rates take account of the 0.2% discount to PWLB rates available to eligible authorities (including the Council) from 1st November 2012.

4.10 In line with discussions with the Council’s economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and has taken out £50 million of new borrowing during the financial year. These rates were considered opportune, and the Treasury Management team continues to closely monitor PWLB rates in line with future capital programme requirements. The new borrowing is summarised in the following table.

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
48 years	02/08/2022	09/08/2022	09/08/2070	2.79*	50.0

*rate takes account of the 0.20% discount to PWLB rates available to the Council.

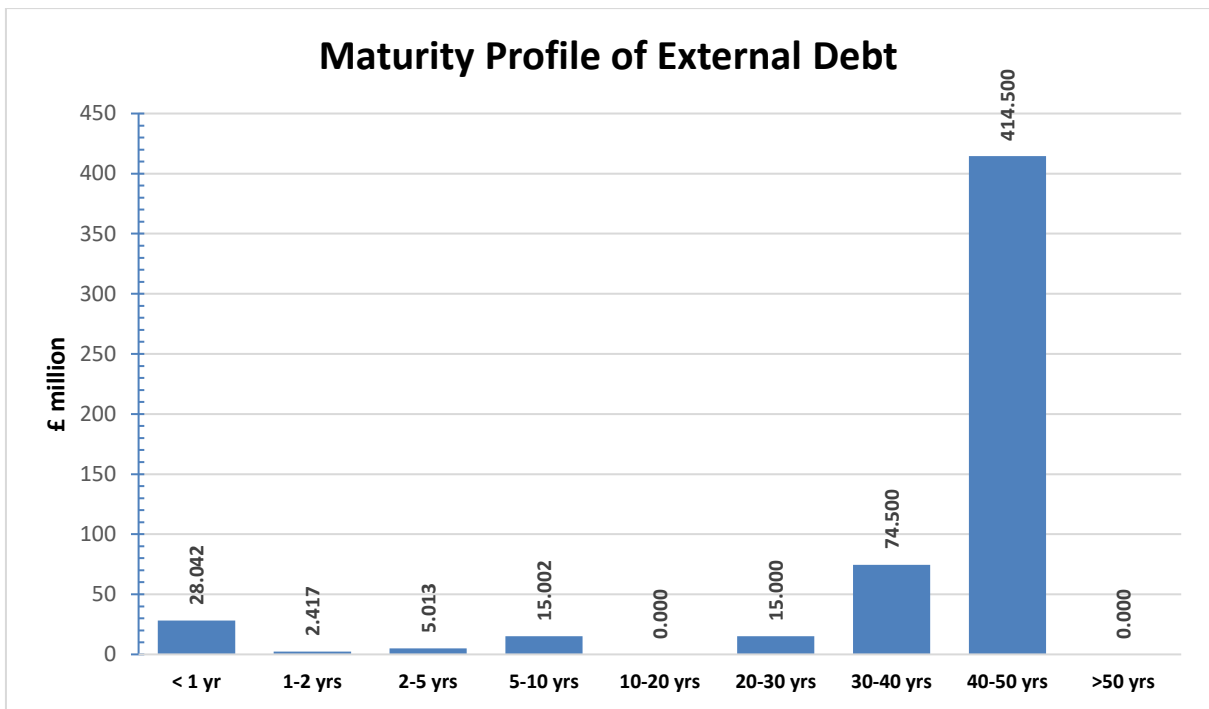
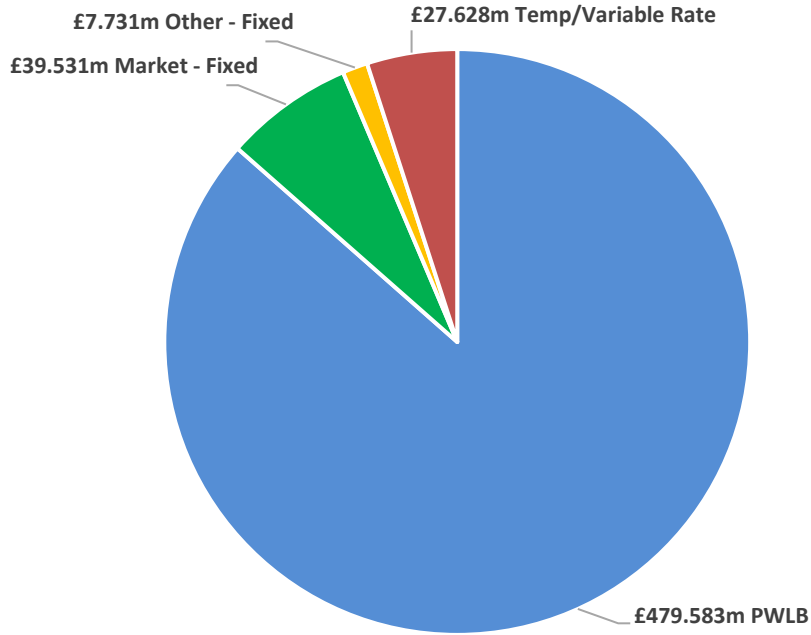
4.11 The Treasury Management Strategy for 2022/2023 included provision for debt rescheduling, whilst accepting that because of the very low underlying rate of the Council’s long-term debt it would be difficult to refinance long-term loans at interest rates lower than those already in place. As expected, rates have not been sufficiently favourable for debt rescheduling in 2022/2023.

4.12 The Council’s borrowing portfolio position at 31st March 2023 is set out below.

Borrowing Summary at: 31 March 2023			
	<u>Principal</u>	<u>Interest</u>	<u>Ave rate</u>
<u>Fixed</u>			%
PWLB	479,583,333	11,777,204	2.46
Market - Fixed	39,531,020	1,741,445	4.41
Other - Fixed	7,731,391	306	0.00
	526,845,744	13,518,955	2.57
<u>Variable</u>			
Temporary/Other - Variable	27,627,962	618,306	2.24
	27,627,962	618,306	2.24
TOTAL BORROWING:	554,473,706	14,137,261	2.55
TOTAL INVESTMENTS: (All Managed In-house)	240,770,076		

NET POSITION:

(313,703,630)



4.13 The Council had a net borrowing position of £313.704 million representing the difference between gross debt and total investments. The net borrowing position is expected to widen (increase) further over the next few years as the Council will need to take out additional borrowing to fund its capital programme

Prudential Indicators – 2022/2023

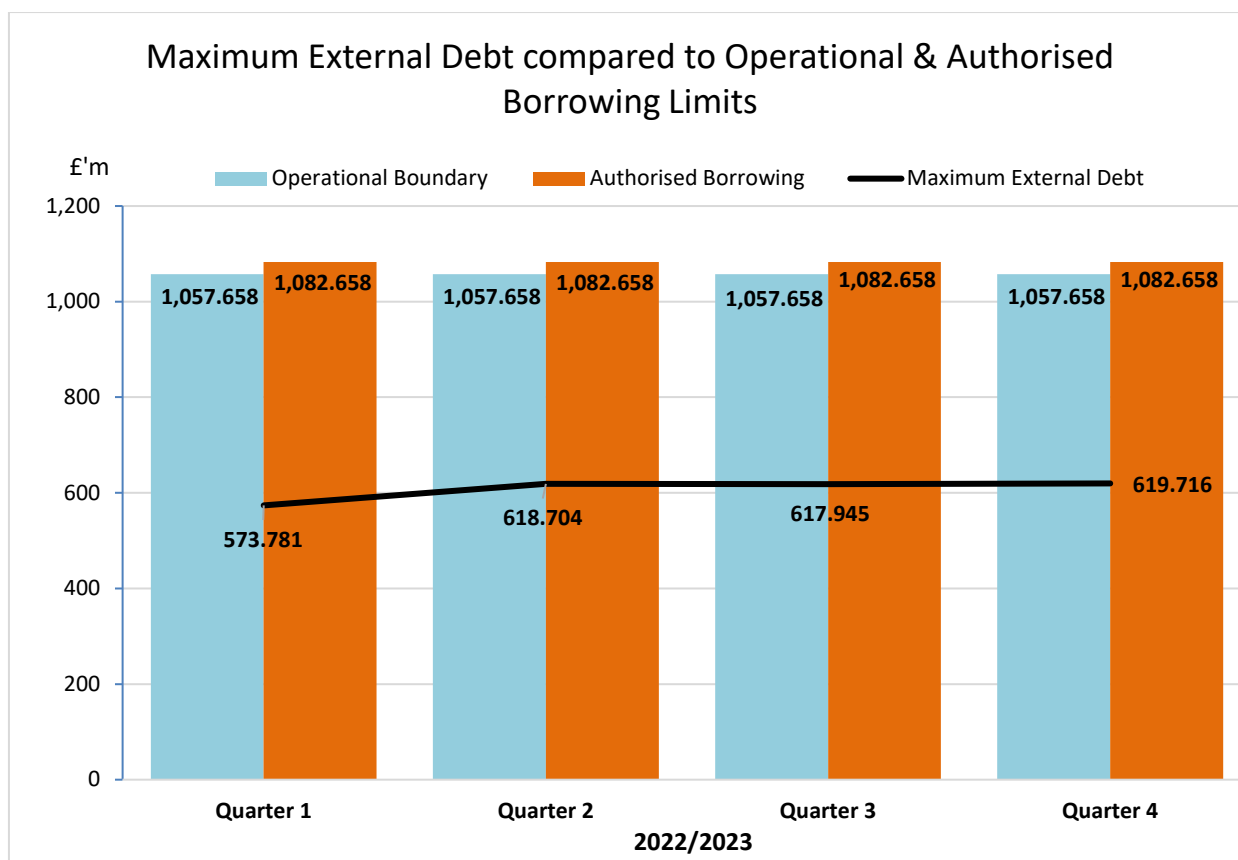
- 4.14 All external borrowing and investments undertaken in 2022/2023 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all other Prudential Indicators as follows:
- 4.15 The statutory limit under section 3(1) of the Local Government Act 2003 (known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2022/2023 as follows:

	£m
Borrowing	939.926
Other Long-Term Liabilities	142.732
Total	<u>1,082.658</u>

The Operational Boundary for External Debt for 2022/2023 was set as follows:

	£m
Borrowing	914.926
Other Long-Term Liabilities	142.732
Total	<u>1,057.658</u>

The Council's maximum external debt in respect of borrowing in 2022/2023 was £619.716 million and is within the borrowing limits set by both of these indicators.



4.16 The table below shows that all other Treasury Management Prudential Indicators have also been complied with:

Prudential Indicators	2022/2023	
	Limit	Actual
P9 Maturity Pattern	Upper Limit	
Under 12 months	50%	6.74%
12 months and within 24 months	60%	0.44%
24 months and within 5 years	80%	0.99%
5 years plus	100%	93.68%
A lower limit of 0% for all periods		
P10 Upper limit for total principal sums invested for over 365 days	£75.0m	0

5 Investment Strategy and Performance - 2022/2023

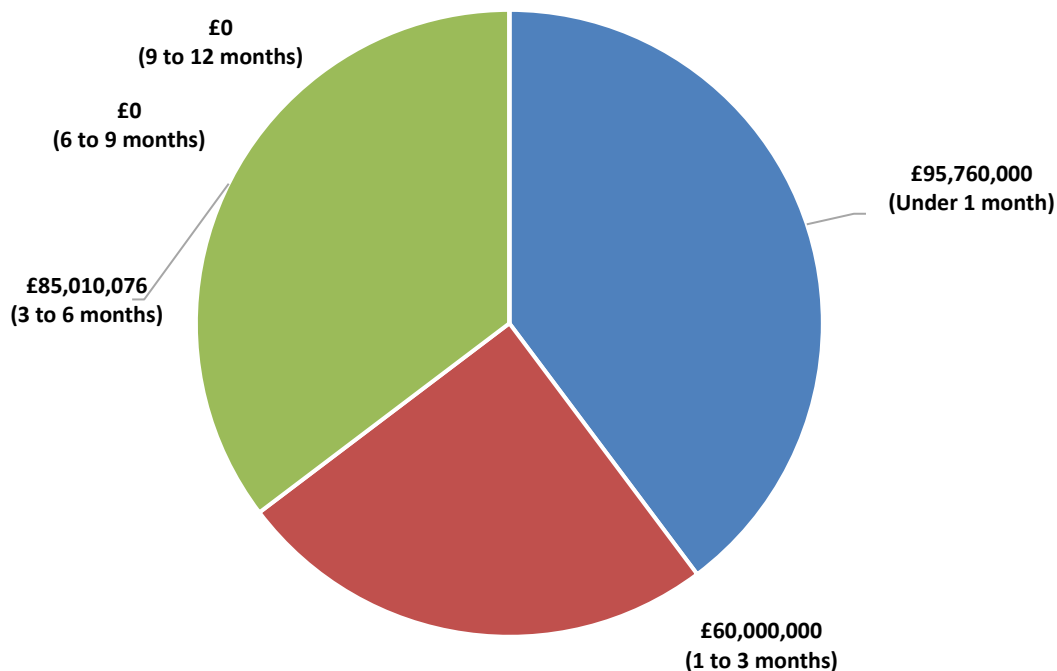
5.1 The Investment Strategy for 2022/2023 was approved by Council on 2nd March 2022. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

- (A) The **security** of capital;
- (B) The **liquidity** of its investments and then
- (C) The Council aims to achieve the **optimum yield** on its investments, but this is commensurate with the proper levels of security and liquidity.

5.2 At 31st March 2023, the funds managed by the Council's in-house team amounted to £240.770 million and all investments complied with the Annual Investment Strategy.

Investment Summary at 31 March 2023					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
Call Accounts:					
NatWest SIBA	Overnight	1,500,000	1.00		Call
Prime MMF	Overnight	1,671,000	4.09		Call
Aberdeen Liquidity Fund	Overnight	46,809,000	4.06		Call
Insight Liquidity Fund	Overnight	25,780,000	4.12		Call
Lloyds 95 Day Notice	95d Notice	10,076	2.20		95 day
Sub-total:		75,770,076			
Fixed Term Deposits:					
Standard Chartered Bank	273 days	20,000,000	2.470	07-Jul-22	06-Apr-23
Santander UK Plc	273 days	30,000,000	3.310	24-Aug-22	24-May-23
Standard Chartered Bank	182 days	30,000,000	4.150	07-Dec-22	07-Jun-23
Close Brothers	365 days	5,000,000	2.800	13-Jul-22	13-Jul-23
Goldman Sachs Int Bank	182 days	30,000,000	4.095	23-Jan-23	24-Jul-23
Standard Chartered Bank	303 days	10,000,000	5.180	27-Sep-22	27-Jul-23
Goldman Sachs Int Bank	183 days	10,000,000	4.310	13-Mar-23	12-Sep-23
Standard Chartered Bank	183 days	10,000,000	4.470	13-Mar-23	12-Sep-23
Santander UK Plc	365 days	20,000,000	4.100	15-Sep-22	15-Sep-23
Sub-total:		165,000,000			
TOTAL:		240,770,076			

Investment Liquidity:



5.3 The table below shows the return received on these investments compared with the benchmark SONIA (Sterling Overnight Index Average) rate, which the Council uses to assess its performance.

	2022/2023 Return %	2022/2023 Benchmark %
In-house Managed Funds	2.16	2.24

The return on investments for 2022/2023 is slightly below the benchmark rate, which reflects the volatility in financial markets and the continued rise in the BoE Base Rate. The benchmark rate closely follows the Base Rate and therefore moves in line with any announcements on a daily basis. Fixed term deposits are locked in at the rate available when the investment was placed, which at the time offered a favourable return, but may not keep pace with upward movement in interest rates.

5.4 All investments placed in 2022/2023 have been made in accordance with the approved Investment Strategy and comply with the Criteria and the Approved Lending List approved by Council on 2nd March 2022.

5.5 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the benefit of the Council. Against a backdrop of inflationary pressures, the easing of Covid restrictions, the Russian invasion of Ukraine, and a range of different UK Government policies it is no surprise that UK interest rates have been volatile.

5.6 As reported during the year, investment returns picked up throughout 2022/2023 as the BoE tightened monetary policy. Opening 2022/2023 at 0.75% the Base Rate has risen steadily reaching 4.25% by March 2023, with the potential for further rises in 2023/2024.

- 5.7 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, the Council continues to hold higher than normal levels of cash balances and advice from our Treasury Management advisers is to continue to restrict investments to shorter term periods.
- 5.8 As members will be aware, the regular updating of the Council's Authorised Lending List and Criteria is required in the light of financial institution mergers and changes in institutions' credit ratings. Changes made during 2022/2023 have been reported to members previously and the latest Lending List and Criteria are included in the Treasury Management First Quarterly Review 2023/2024 report appearing elsewhere on today's agenda for information.

6 **Reason for Decision**

- 6.1 To note the performance for 2022/2023.

7 **Alternative Options**

- 7.1 No alternatives are submitted for consideration

AUDIT AND GOVERNANCE COMMITTEE

21 July 2023

TREASURY MANAGEMENT – FIRST QUARTERLY REVIEW 2023/2024

Report of the Director of Finance

1. Purpose of Report

- 1.1 To report on the Treasury Management performance to date for the first quarter of 2023/2024.

2. Description of Decision (Recommendations)

- 2.1 The Committee is requested to:

- Note the Treasury Management performance during Quarter 1 of 2023/2024 (Appendix A).
- Note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

3. Introduction

- 3.1 This report sets out the Treasury Management performance to date for the first quarter of the financial year 2023/2024, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Summary of Treasury Management Performance for 2023/2024 – Quarter 1

- 4.1 The Council's Treasury Management function continues to look at ways to maximise financial savings and increase investment returns to the revenue budget, whilst maintaining a balanced risk position. Public Works Loan Board (PWLB) rates have gradually risen since the start of the financial year but continue to be extremely volatile. No new borrowing has been taken out to date during 2023/2024 but the position continues to be monitored closely should it be needed to support the financing requirements of the Council's Capital Programme.
- 4.2 No refinancing of debt has been carried out in 2023/2024 during the period as interest rates have not been considered sufficiently favourable. The Council's average interest rate on borrowing is low, currently 2.70%, and, as such, the Council already benefits from this lower cost of borrowing and also from the ongoing savings from past debt rescheduling exercises. Based on information from the Council's treasury advisor, performance continues to see the Council's rate of borrowing compare favourably to other authorities.
- 4.3 Treasury Management Prudential Indicators are regularly reviewed, and the Council is within the limits set for all Treasury Management Prudential Indicators. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt)

was set at £1,127.988m for 2023/2024. The Council's maximum external debt during the financial year to 30th June 2023 was £631.682m and is within this limit. More details of the Treasury Management Prudential Indicators are set out in Section 2 of Appendix A for information.

- 4.4 The Council's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Council.
- 4.5 As at 30th June 2023, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 4.56% compared with the benchmark SONIA (Sterling Overnight Index Average) rate of 4.37%. Performance is above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council.
- 4.6 More detailed Treasury Management information is included in Appendix A.
- 4.7 The regular updating of the Council's authorised lending list is required to take into account financial institution mergers and changes in institutions' credit ratings since the last report. The updated Approved Lending List is shown in Appendix C for information.

5. Recommendation

- 5.1 Members are requested to note the Treasury Management performance for the first quarter of 2023/2024.
- 5.2 Members are requested to note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

Appendix A

Detailed Treasury Management Performance – Quarter 1 2023/2024

1 Borrowing Strategy and Performance – 2023/2024

- 1.1 The Borrowing Strategy for 2023/2024 was reported to Cabinet on 2nd February 2023 and approved by full Council on 22nd February 2023.
- 1.2 The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view at the time of drafting the Treasury Management Policy and Strategy was that the Bank of England (BoE) Base Rate would rise to 4.00% in February 2023, 4.25% in March 2023 and peak at 4.50% in May 2023, before gradually falling to 2.50% by September 2025. PWLB borrowing rates were believed to have reached their peak and were expected to steadily fall over the three year forecast timescale. However, these projections were subject to significant volatility as a consequence of emerging economic data and future BoE Monetary Policy Committee (MPC) announcements.
- 1.3 The Bank of England's Monetary Policy Committee (MPC) announced for a thirteenth consecutive meeting on 21st June 2023 it had raised the Base Rate, with a 0.50% rise taking the rate to 5.00%. Notes from the meeting reconfirm that the committee's primary focus is to regain control of inflation and comment; "The MPC will adjust Bank Rate as necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit." Markets are now predicting a UK base rate of 6% by the end of 2023.
- 1.4 Annual CPI inflation was 8.7% in May 2023, unchanged from April's rate, which is higher than the 8.4% figure the markets had expected. What will be of concern to the MPC and the markets is that there has been little movement in underlying inflationary pressures and over the last month it increased from 6.8% to 7.1%. Markets will be waiting to assess the impact on CPI inflation of anticipated falls in household energy bills when the energy price caps are announced by Ofgem in July and October 2023. The BoE now expects inflation to fall to 5.1% by the end of 2023, compared to 3.9% it forecast previously.
- 1.5 GDP forecasts were subject to the largest ever upside revision in growth since the BoE gained independence in 1997. Whilst GDP is expected to remain flat for the first half of 2023, latest forecasts reverse previous expectations that the economy would enter recession this year and instead the economy will be 2.25% bigger by mid-2026. This was based on lower energy prices and the impact of fiscal support measures outlined in the Chancellor's Spring Budget.
- 1.6 Following increases in the BoE Base Rate, investment rates of return have increased significantly compared to previous years. However long-term borrowing rates are also currently high, and above our benchmark borrowing rate of 4.50%. Therefore, investment balances will be temporarily used where necessary pending borrowing rates reducing.
- 1.7 Link Asset Services, the Authority's treasury advisors, reviewed their interest rate forecasts in March 2023, May 2023 and again in June 2023 following MPC announcements of increases in the Base Rate and continued volatility in the financial

markets. They believe with inflation remaining elevated, the MPC will need to increase the Base Rate to at least 5.50%, if not higher, to sufficiently slow the UK economy and combat on-going inflationary and wage pressures. Link expect the rate to remain at its peak until at least the Spring of 2024.

- 1.8 The following table shows the average PWLB rates for Quarter 1 compared to the SONIA Overnight Rate used to benchmark investment returns.

2023/2024	Qtr 1* (Apr-Jun 2023) %
SONIA Overnight Rate	4.37
PWLB 1 year	5.32*
PWLB 5 years	4.87*
PWLB 10 years	4.78*
PWLB 25 years	5.09*
PWLB 50 years	4.82*
PWLB Current 50 years	5.17*

*rates take account of the 0.2% discount to PWLB rates available to eligible authorities.

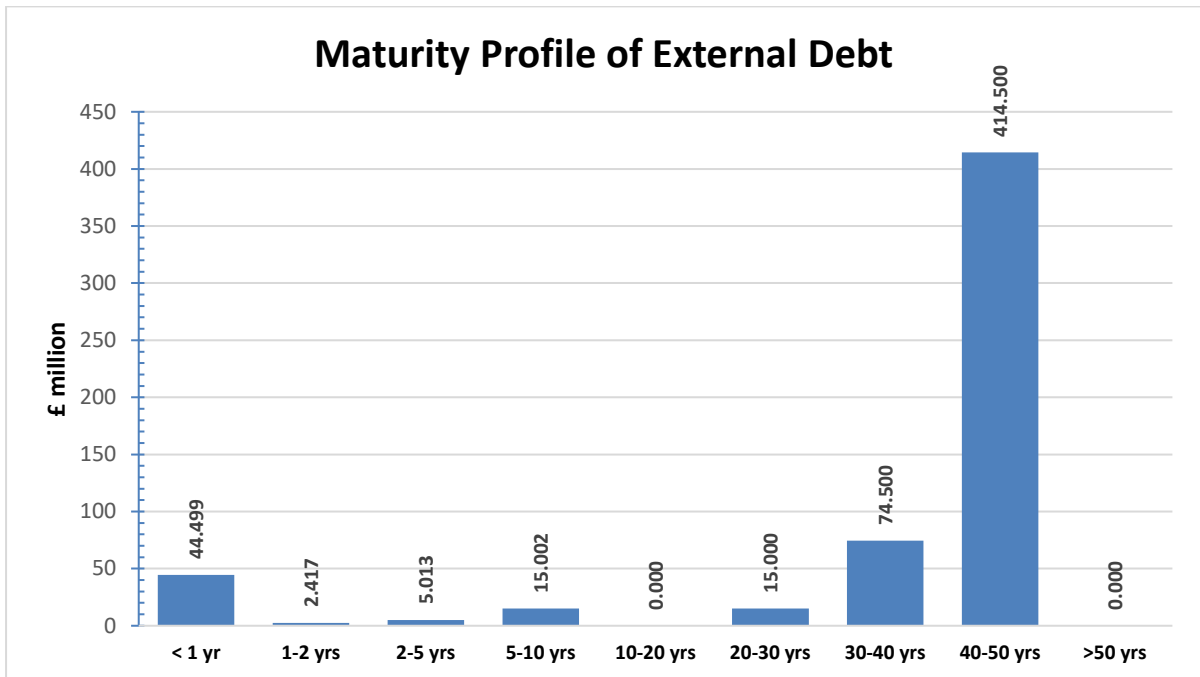
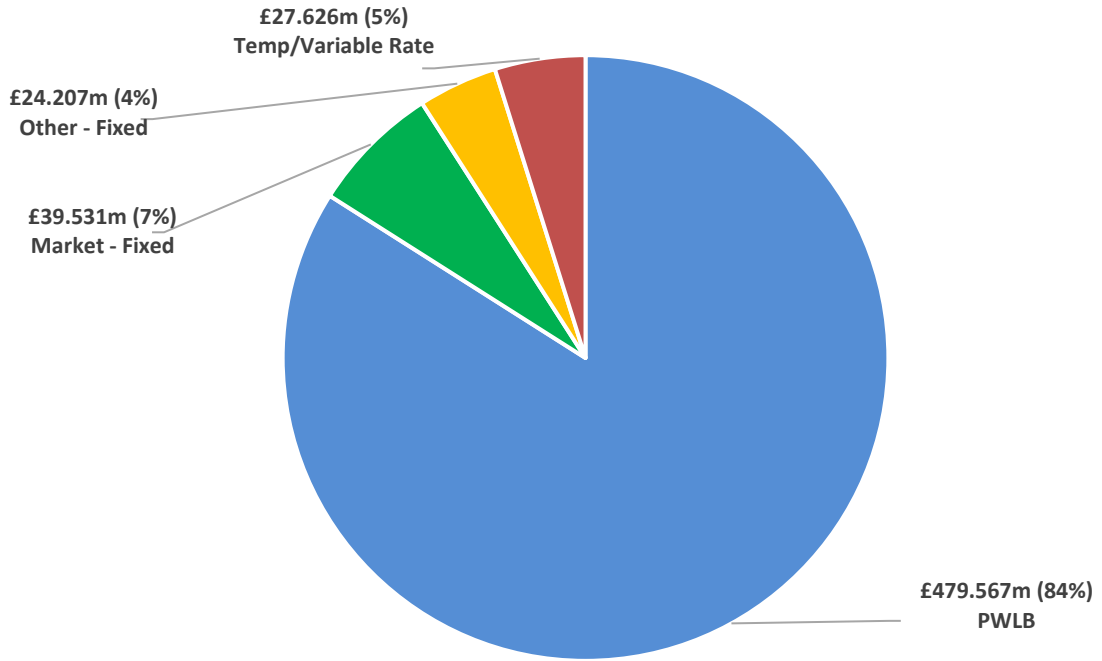
- 1.9 High levels of volatility in the financial markets continue in 2023/2024 as economic data is released and Government clarifies its fiscal policies. Add to this the on-going conflict between Russia and Ukraine and heightened tensions between China, Taiwan and the United States which all have the potential to have a wider and negative economic impact. The overall balance of risks to economic growth in the UK is to the downside due to a number of factors. The risk that the BoE acts too soon or too far over the next year in raising the Base Rate could hamper economic growth and not have the intended impact on inflation.
- 1.10 PWLB rates are expected to increase slightly from their current levels until September 2023, after which they are predicted to fall gradually through to March 2026. Link Asset Services predict PWLB rates standing at 5.10%, 4.90%, 5.10% and 4.90% for 5, 10, 25 and 50-year durations respectively by 31st March 2024 before falling to within the range 3.30%-3.80% for all durations by March 2026. With so many external influences weighing on the UK economy, interest rate forecasting remains very difficult. From time to time, gilt yields, and consequently PWLB rates, can be subject to exceptional levels of volatility which could occur at any time during the forecast period.
- 1.11 The strategy for 2023/2024 is to adopt a pragmatic and flexible approach in identifying the low points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 4.50% for long-term borrowing was set for 2023/2024 in light of the views prevalent at the time the Treasury Management policy was set in March 2023.
- 1.12 The Council's treasury portfolio position at 30th June 2023 is set out below:

Borrowing Summary at:	30 June 2023		
	<u>Principal</u>	<u>Interest</u>	<u>Ave rate</u>
<u>Fixed</u>			%
PWLB	479,566,667	12,473,408	2.60
Market – Fixed	39,531,020	1,740,508	4.40
Other – Fixed	24,207,285	2,606	0.01

Borrowing Summary at:

30 June 2023

	543,304,972	14,216,602	2.62
Variable			
Temporary/Other – Variable	27,625,898	1,209,811	4.38
	27,625,898	1,209,811	4.38
TOTAL:	570,930,870	15,426,413	2.70



2 Prudential Indicators – 2023/2024

2.1 All external borrowing and investments undertaken in 2023/2024 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for the other Treasury Management Prudential Indicators.

2.2 The statutory limit under section 3(1) of the Local Government Act 2003 (which is also known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2023/2024 as follows:

	£m
Borrowing	981.975
Other Long-Term Liabilities	146.013
Total	<u>1,127.988</u>

The Operational Boundary for External Debt was set as shown below: -

	£m
Borrowing	956.975
Other Long-Term Liabilities	146.013
Total	<u>1,102.988</u>

The Council's maximum external debt in respect of 2023/2024 (to 30th June 2023) was £631.682m and is within the limits set by both these key indicators.

2.3 The table below shows that all other Treasury Management Prudential Indicators have been complied with:

Prudential Indicators		2023/2024 (Max at 30/06/23)	
		Limit	Actual
P9	Maturity Pattern	Upper Limit	
	Under 12 months	50%	7.79%
	12 months and within 24 months	60%	0.44%
	24 months and within 5 years	80%	0.91%
	5 years plus (A lower limit of 0% for all periods)	100%	93.78%
P10	Upper limit for total principal sums invested for over 365 days	75m	0

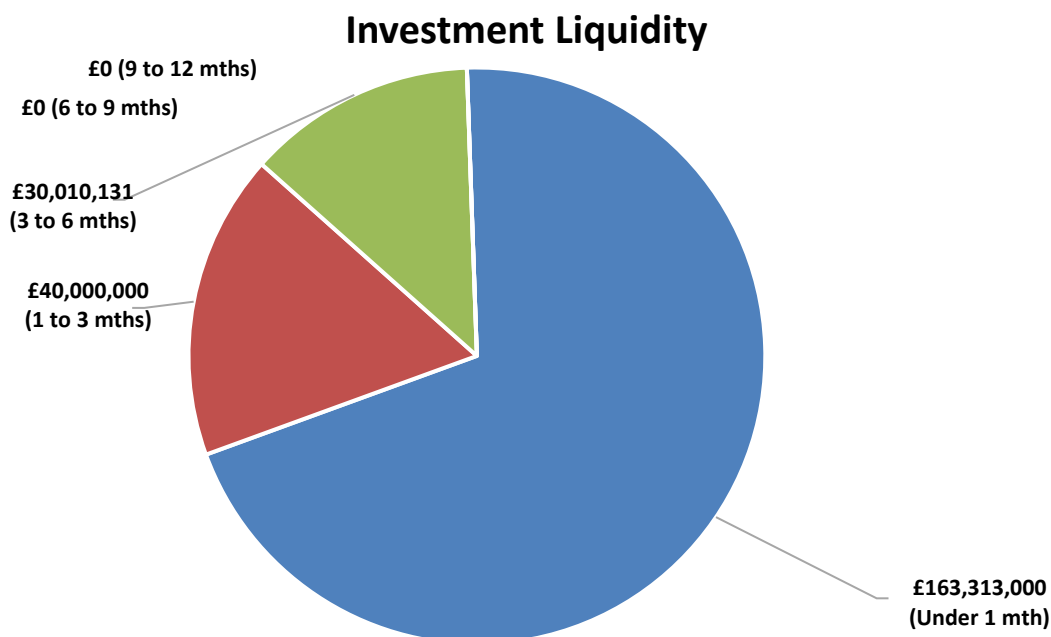
3 Investment Strategy – 2023/2024

3.1 The Investment Strategy for 2023/2024 was approved by Council on 22nd February 2023. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

- (A) The **security** of capital;
- (B) The **liquidity** of its investments and then;
- (C) The Council aims to achieve the **optimum yield** on its investments, but this is commensurate with the proper levels of security and liquidity.

3.2 As at 30th June 2023, the funds managed by the Council's in-house team amounted to £233.323 million and all investments complied with the Annual Investment Strategy.

Investment Summary at: 31 May 2023					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
Call Accounts:					
NatWest SIBA	Overnight	1,500,000	1.050		Call
Prime MMF	Overnight	6,783,000	4.440		Call
Aberdeen Liquidity Fund	Overnight	48,250,000	4.444		Call
Insight Liquidity MMF	Overnight	44,280,000	4.444		Call
Lloyds Banking Group Ltd	95d Notice	10,131	2.350		95 Day Notice
Sub-total:		100,823,131			
Fixed Term Deposits:					
Yorkshire Building Society	30 days	10,000,000	4.450	12-Jun-23	12-Jul-23
Close Brothers	365 days	5,000,000	2.800	13-Jul-22	13-Jul-23
Yorkshire Building Society	30 days	7,500,000	4.430	19-Jun-23	19-Jul-23
Standard Chartered Bank	303 days	10,000,000	5.180	27-Sep-22	27-Jul-23
Santander UK Plc	365 days	20,000,000	4.100	15-Sep-22	15-Sep-23
Goldman Sachs Int Bank	182 days	30,000,000	4.095	23-Jan-23	24-Jul-23
Goldman Sachs Int Bank	183 days	10,000,000	4.310	13-Mar-23	12-Sep-23
Standard Chartered Bank	183 days	10,000,000	4.470	13-Mar-23	12-Sep-23
Goldman Sachs Int Bank	184 days	24,000,000	5.200	24-May-23	24-Nov-23
Standard Chartered Bank	184 days	6,000,000	5.250	12-May-23	12-Jun-23
Sub-total:		132,500,000			
TOTAL:		233,323,131			



- 3.3 The table below shows the return received on these investments compared with the benchmark SONIA (Sterling Overnight Index Average) rate, which the Council uses to assess its performance.

	2023/2024 Actual to 30/06/23 %	2023/2024 Benchmark to 30/06/23 %
Return on investments	4.56	4.37

- 3.4 Investments placed in 2023/2024 have been made in accordance with the approved investment strategy and comply with the Counterparty Criteria in place, shown in Appendix B, which is used to identify organisations on the Approved Lending List.
- 3.5 Investment rates available in the market have steadily risen following a series of Base Rate increases announced by the Bank of England's Monetary Policy Committee (MPC). Since the MPC voted to raise the Base Rate from its historic low of 0.10% at its meeting on 16th December 2021, it has risen at a total of thirteenth consecutive meetings. The Base Rate currently stands at 5.00%, its highest point since 2008, with further increases expected.

Effective Date	BoE Base Rate %
19 Mar 2021	0.10
16 Dec 2021	0.25
3 Feb 2022	0.50
17 Mar 2022	0.75
5 May 2022	1.00
16 Jun 2022	1.25
4 Aug 2022	1.75
22 Sep 2022	2.25
3 Nov 2022	3.00
15 Dec 2022	3.50
2 Feb 2023	4.00
23 Mar 2023	4.25
11 May 2023	4.50
22 Jun 2023	5.00

- 3.6 Whilst investment rates have improved recently, the Council continues to follow a risk averse strategy when placing funds, prioritising security of capital whilst seeking to achieve the optimum return commensurate with risk. The Council continues to follow advice from our Treasury Management advisors by placing funds in shorter dated liquid investments than previously.
- 3.7 Advice also confirms that the above guidance is not applicable to institutions considered to be very low risk, mainly where the Government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.
- 3.8 The regular updating of the Council's authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. Any changes are reflected on the Approved Lending List shown in Appendix C.

Counterparty Criteria

The Council takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch Long-Term Rating	Fitch Short-Term Rating	Moody's Long-Term Rating	Moody's Short-Term Rating	S&P's Long-Term Rating	S&P's Short-Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	Aaa	P-1	AAA	A-1+	120	2 Years
AA+	F1+	Aa1	P-1	AA+	A-1+	100	2 Years
AA	F1+	Aa2	P-1	AA	A-1+	80	2 Years
AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 Years
A+	F1+	A1	P-1	A+	A-1	70	365 days
A+	F1	A1	P-1	A+	A-1	70	365 days
A	F1	A2	P-1	A	A-1	65	365 days
A-	F1	A3	P-1	A-	A-1	50	365 days
A-	F2	A3	P-2	A-	A-2	50	365 days
Local Authorities (limit for each local authority)						30	2 years
UK Government (including debt management office, gilts and treasury bills)						300	2 years
Money Market Funds (CNAV, LVNAV and VNAV)* Maximum amount to be invested in Money Market Funds is £250m with a maximum of £50m in any one fund.						250	Liquid Deposits
Local Authority controlled companies						40	20 years
Strategic Partners						Maximum deposit and duration of investments with strategic partners will be based on detailed business case and will be approved by Members prior to any investment taking place	

* CNAV=Constant Net Asset Value, LVNAV=Low Volatility Net Asset Value and VNAV=Variable Net Asset Value

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA- will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above. These limits are as follows:

Appendix B (continued)

Country Limit

It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £50m which can be invested in other countries provided they meet the above criteria. A separate limit of £300m will be applied to the United Kingdom and is based on the fact that the Government has previously undertaken and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	300
Non-UK	50

Sector Limit

The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	300
Local Government	300
UK Banks	300
Money Market Funds	250
UK Building Societies	100
Foreign Banks	50

Group Limit

Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, the total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the Government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA-; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix C.

Approved Lending List

Appendix C

	Fitch		Moody's		Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	L Term	S Term	L Term	S Term		
UK	AA-		Aa3		AA		300	
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Lloyds Bank Corporate Markets plc (NRFB)	A+	F1	A1	P-1	A	A-1	65	365 days
Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 75	
The Royal Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A+	A-1	75	2 years
National Westminster Bank Plc (RFB)	A+	F1	A1	P-1	A+	A-1	75	2 years
NatWest Markets plc (NRFB)	A+	F1	A1	P-1	A	A-1	75	2 years
Santander UK plc	A+	F1	A1	P-1	A	A-1	65	365 days
Barclays Bank plc (NRFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Clydesdale Bank	A-	F2	A3	P-2	A-	A-2	50	365 days
Co-Operative Bank Plc *	BB	B	Ba1	NP	-	-	0	
Goldman Sachs International Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
HSBC Bank plc (NRFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
HSBC UK Bank plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
Nationwide BS	A	F1	A1	P-1	A+	A-1	65	365 days
Standard Chartered Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
Close Brothers Ltd	A-	F2	Aa3	P-1	-	-	50	365 days
SMBC Bank International Ltd	A-	F1	A1	P-1	A	A-1	50	365 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A-	F1	A2	P-1			50	365 days

	Fitch		Moody's		Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	L Term	S Term	L Term	S Term		
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days
Principality BS *	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS	A-	F1	A2	P-1	-	-	50	365 days
West Bromwich BS *			Ba3	NP	-	-	0	
Yorkshire BS	A-	F1	A3	P-2	-	-	50	365 days
Money Market Funds							250	Liquid
Prime Rate Stirling Liquidity	AAA		AAA		AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA				AAA		50	Liquid
Deutsche Managed Sterling Fund			Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
Australia	AAA		Aaa		AAA		50	
Australia and New Zealand Banking Group Ltd	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
Commonwealth Bank of Australia	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
National Australia Bank	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
Westpac Banking Corporation	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
Canada	AA+		Aaa		AAA		50	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Royal Bank of Canada	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Denmark	AAA		Aaa		AAA		50	
Danske A/S	A	F1	A2	P-1	A+	A-1	50	365 days
Finland	AA+		Aa1		AA+		50	
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	50	2 years
Germany	AAA		Aaa		AAA		50	
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA	A-1+	50	2 years
Netherlands	AAA		Aaa		AAA		50	
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years

	Fitch		Moody's		Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	L Term	S Term	L Term	S Term		
Cooperatieve Rabobank U.A.	A+	F1	Aa2	P-1	A+	A-1	50	365 days
Nederlandse Waterschapsbank NV			Aaa	P-1	AAA	A-1+	50	2 years
Singapore	AAA		Aaa		AAA		50	
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Sweden	AAA		Aaa		AAA		50	
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Switzerland	AAA		Aaa		AAA		50	
UBS AG	A+	F1	Aa2	P-1	A+	A-1	50	365 days
USA	AAA		Aaa		AA+		50	
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	50	365 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	50	365 days

Notes

Note 1 **Nationalised / Part Nationalised**

The counterparties in this section will have the UK Government's AA- rating applied to them thus giving them a credit limit of £75m.

* These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

AUDIT AND GOVERNANCE COMMITTEE

21 July 2023

COUNCIL'S GOING CONCERN STATUS REPORT

Report of the Director of Finance

1. Purpose of the Report

- 1.1 The purpose of this report is to consider the Council's status as a going concern and request Committee to agree this.

2. Introduction

- 2.1 As Local Authorities are created and abolished only by statutory changes there is an underlying assumption in the 2021/2022 CIPFA/ LASAAC Code of Practice on Local Authority Accounting (Accounting Code) that their accounts will be prepared on a going concern basis.
- 2.2 Authorities are required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. However, financial pressures within the local government sector means that the Chief Finance Officer (section 151 officer) may need to consider whether action is required under section 114 of the 1988 Act, where the section 151 officer must report, following consultation with the council's monitoring officer, to all authority's Councillors if they believe expenditure is likely to exceed incoming resources in the current or in any future year.
- 2.3 This report outlines the assessment of the Council's status as a going concern in line with best practice.

3. Context

- 3.1 The provisions in the Accounting Code on the going concern accounting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities have no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements. As local authorities cannot be dissolved without statutory prescription, it would not be appropriate for the Council's financial statements to be prepared on any other than a going concern basis.
- 3.2 Although the financial context continues to be challenging and uncertain, the Council has a track record of meeting its financial obligations and maintaining financial sustainability. In 2022/2023 the Council delivered an outturn within its original budget. A Council wide approach to the budget, which is priority driven and over a medium-term planning horizon will ensure that this continues to be the case.

3.3 The 2021/2022 Audit carried out by Mazars includes a value for money assessment, which considers the identification, monitoring and achievement of savings. Although the final Auditor's Annual Report is still to be issued for 2021/22, an update to the Audit and Governance Committee by Mazars noted; "We reported our interim findings in our November 2022 report to the Committee i.e. that there were no significant issues arising at that time and have continued to keep our risk assessment up to date. There have been no significant changes to our assessment of the Council's arrangements. We will update our assessment on this and the other criteria covered by the value for money commentary and set out our findings and conclusions in the Auditor's Annual Report."

4. 2022/2023 Year End Position

4.1 Council agreed the original revenue budget for 2022/2023 on 2 March 2022, this was set at £216.914m. The overall service revenue outturn for 2022/2023, including transfers to and from reserves and financing, results in a balanced position.

4.2 The final capital outturn position is an underspend of £69.896m when compared to the revised budget for the year of £222.181m. The underspend in 2022/2023 has been transferred in to the 2023/2024 and future year budgets, to align with the latest expenditure profile. The Council's Revenue and Capital budget monitoring position is reported on quarterly basis to Cabinet in accordance with the budget framework.

4.3 The Statement of Accounts for 2022/2023 has been prepared and the health of the Council's balance sheet has been assessed; the key points are as follows:

- The general fund reserve has remained constant at £12.000m, and this represents 5.5% of the 2022/2023 revenue budget;
- School reserves have reduced by £2.594m to £7.188m;
- Useable revenue reserves have increased by £0.235m to £144.435m as at 31 March 2023;
- Long Term Assets have increased from £1,209m to £1,306m due to an increase in the value of Property, Plant and Equipment;
- Current Assets have reduced from £326m to £304m mainly linked to movements in short term investments;
- Current Liabilities have decreased slightly from £157m to £155m;
- Long Term Liabilities have reduced from £987m to £657m, mainly due to re-measurement of the defined benefit pension asset / liability; and
- Overall Net Assets have increased from £392m to £798m, again due to the pension re-measurement.

4.4 The accounts have also been prepared on a Group basis incorporating Sunderland Care and Support Ltd, Together for Children Sunderland Ltd, Sunderland Lifestyle Partnership Ltd, Siglion LLP, Siglion Holdings Ltd and IAMP LLP. The net assets of the group as a whole have increased from £379m to £859m.

	Balance at 31 March 2023 £m
Earmarked General Fund Reserves - Revenue:	
Medium Term Planning Smoothing Reserve	34.601
Strategic Regeneration Reserve	10.557
Health and Social Care Reserve	10.520
Energy and General Inflation	9.371
Streetscene and open Space	6.762
Insurance Reserve	6.236
Strategic Investment Reserve	5.558
Public Health Grant	5.321
Strategic Initiatives Budget Reserve	4.499
Street Lighting PFI Smoothing Reserve	4.120
Smart Cities	3.894
Low Level Family Support	3.496
HCA Stadium Transfer	3.109
Education Redundancies Reserve	2.353
Sandhill Centre PFI Smoothing Reserve	2.151
Transformation Reserve	1.715
Collection Fund Surplus Reserve	1.533
House Sales Income Reserve	1.390
Carbon Reduction Reserve	1.384
Housing Benefit Smoothing Reserve	1.296
Airport Smoothing Reserve	1.253
Events Reserve	1.200
Members Recovery Fund	1.000
Other Earmarked Revenue Reserves	21.116
	144.435

4.5 A breakdown of the £144.435m usable revenue reserves as at 31 March 2023 is shown in the table below:

4.6 The draft Statement of Accounts includes the Annual Governance Statement which was approved by the Audit and Governance Committee on 28 April 2023. This provided the Committee with evidence of assurance on the Council's internal controls, risk management and governance arrangements. The statement concluded that the Governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

5. Current Position - 2023/2024 Budget

5.1 Council agreed the revenue budget for 2023/2024 on 22 February 2023. This was set at £247.169m. The budget was balanced by increasing council tax by 2.99% (1.99% core council and 1% ASC precept), budget savings of £13.378m and a planned use of the Medium Term Planning smoothing reserve of £9.000m.

5.2 The Council's expenditure budget continues to be impacted by social care pressures, wide ranging inflationary pressure and general global economic conditions. Additional grant support was received from the Government to

mitigate some of the cost pressures, this was supplemented with additional Council resource as part of the 2023/2024 budget setting process.

- 5.3 The budget for the capital programme for 2023/2024, as agreed by Council on 22 February 2023, totalled £268.401m.
- 5.4 The revenue and capital budgets will be monitored monthly by Senior Officers and quarterly by Cabinet with any changes to budgets agreed by Council.
- 5.5 The Council's General Fund Reserve stands at £12.000m. This is 4.9% of the original 2023/2024 revenue budget, this is in accordance with the existing policy and is considered prudent and robust given the overall level of reserves.

6. Future Position - Medium Term Financial Plan (MTFP)

- 6.1 The current MTFP covers the period 2023/2024 to 2026/2027, this estimates a funding gap of £107.648m over the four-year period. Current council tax and business rate growth and grant inflationary forecasts total £66.783m over the same period. Therefore, the net MTFP shortfall over the four-period indicates savings requirements and / or additional funding of £40.865m.
- 6.2 The MTFP is reviewed at least annually to ensure Members are aware of the latest estimated future financial position of the Council. The last review was considered by Cabinet in February 2023 and approved by Council on 22 February 2023.
- 6.3 The Council's approach to delivering the savings requirement is encapsulated in the Efficiency Strategy 2023/2024 to 2026/2027 approved by Council in February 2023.
- 6.4 In addition to maximising Council Tax and Business Rates growth, there will be a continued and iterative development of a programme of activity to address the MTFP gap, taking into account the strategic vision of the Council's role in the future and reflecting the following key principles. For all service areas this includes consideration of:
 - Ensuring resources are targeted on statutory and front-line services and protecting key priority services with a focus on need rather than want;
 - Managing demand - implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way;
 - Being customer focussed - using robust data and information to understand our resident's needs and maximising opportunities through use of technology for both our customers and internal users, so that people self-serve wherever possible and eliminate waste and duplication;
 - Redesigning and reshaping services to deliver required outcomes in a value for money way which maximises productivity;
 - Strategic commissioning based on outcomes and using an intelligence based approach to ensure a sound evidence base for commissioning decisions and effective commissioning arrangements;

- Pressing forward with new models of service delivery that improve our commercialisation, to maximise income opportunities where there is a market and business case;
- Ensuring opportunities for collaboration with partners to deliver key outcomes that matter to the city;
- Ensuring that our internal, support services respond appropriately to the changing shape and size of the Council;
- Involving the Community – residents, businesses, partners and voluntary sector to ensure best outcomes for the city; and
- Continued focus on regeneration and inward investment in order to grow business rate and council tax income, leveraging funding to maximise additional income sources and commercial opportunities.

6.5 The Council acknowledges that it will be difficult to continue to deliver substantial savings without significant changes in the way we deliver services and therefore reserves have been maintained to assist transition and mitigate future risk. Reserve levels and use will be kept under review and reported to Cabinet.

6.6 Future risks for the Council include inflation and global uncertainties, legacy impact of the COVID-19 pandemic, reductions in central government funding, increasing demand and costs of Adult and Children’s Social Care and the uncertainty concerning the timing and impact of any Local Government Fair Funding Review and the changes to business rate retention. These risks will continue to be monitored by Senior Officers and Cabinet and applied to the MTFP as the areas develop.

7. Conclusion

7.1 Based on the assessment undertaken, the Council’s Director of Finance (Section 151 officer) view is that the Council is aware of the challenges it faces and is prepared to deliver its services in the future taking account of the known risks. Any transition required to deliver savings can be supported by transitional reserves, therefore the Council is a going concern and the Statement of Accounts should be prepared on that basis.

8. Recommendation

8.1 It is recommended that the Committee agrees that the Council is considered to be a going concern based on the assessment in this report and that the accounts are prepared and approved on that basis.

AUDIT AND GOVERNANCE COMMITTEE

21 July 2023

DATA PROTECTION – ANNUAL REPORT 2022/23

Report of the Data Protection Officer

1. Purpose of Report

- 1.1 The purpose of this report is to provide the Committee with information about the work and findings of the Council's Data Protection Office during the past year.
- 1.2 The Committee is asked to consider the:
 - Data Protection arrangements outlined in this report.
 - Performance against Data Protection standards in the 2022/23 year.

2. Background

- 2.1 The Council has designated a Data Protection Officer (DPO) as required by Data Protection law, to advise on its data protection compliance responsibilities and act as its point of contact with the Information Commissioner's Office (ICO). The Council has historically received support with Data Protection (DP) compliance from the Council's Data Protection Office, a Strategic Information Governance Group made up of senior officers and chaired by the Director of Finance in the role of Senior Information Risk Officer (SIRO). The Data Protection Office also provides a DPO service under service level agreements to connected organisations, including the Council's wholly owned companies, the NECA and those schools and academies which subscribe to the service.
- 2.2 A revised Information Management Policy and Strategy (IMPS) was approved by Chief Officer Group in October 2021. The IMPS is designed to reflect changes to working arrangements and priorities imposed by the Council's response to Covid, the migration to the Office 365 Microsoft Teams environment and the move to City Hall.
- 2.3 A key feature of the IMPS was the refresh and reiteration of the role of Information Asset Owners (IAOs) as a critical function for considering risks associated with the information held within their service areas, monitoring compliance with the legislation, and disseminating and implementing arrangements to meet compliance requirements. The IAO role sits with Assistant Directors within the Council.
- 2.4 The Data Protection Office continues to provide advice and guidance to support IAOs and service areas with DP compliance. During 2022/23, the

DPO team continued to work with the Transformation Project Team and Corporate Support Service, which has led to the development of comprehensive new Information, Advice and Guidance materials and training packages to support IAOs and staff, allowing them to 'self-serve'.

- 2.5 As a data controller, the Council remains obliged to pay an annual fee and is registered as a fee payer with the ICO, as are Together for Children, Sunderland Care and Support, Siglion and the IAMP. Schools and Academies are also required to pay the annual fee as individual concerns. Elected Members are no longer required to pay a fee and so do not maintain individual registrations with the ICO. Members nevertheless remain data controllers of the information they process in carrying out their ward work, with responsibility for data protection compliance when managing the associated information.
- 2.6 The Council also acts as a data processor in relation to some of the information it processes (the People Management and Payroll services offered to customer organisations as two examples), and as data controller in common or joint data controller with its companies and other partner organisations. Other organisations and contractors act as data processors on behalf of the Council and its connected organisations; standard contract clauses, data processing schedules and cyber-security standards have been incorporated to reflect current DP requirements of processors.
- 2.7 The Council and its companies continue to work in partnership with other organisations, including other councils, health partners, the Police and voluntary and community services under formal information sharing arrangements.
- 2.8 Compliance with data protection law requires the ongoing commitment of everyone with a role in an organisation. This ranges from the individual's role in guarding against human error through to corporate level commitment to maintaining secure IT systems, organisation-wide training, and robust policies, advice and guidance on all aspects of data handling, including maintaining legally compliant and robust business processes. The Committee's role in supporting data protection compliance is to review the arrangements outlined in this report and make recommendations it deems necessary regarding prioritisation and implementation of changes needed to meet statutory requirements.

3. GENERAL DATA PROTECTION REGULATION (GDPR) REQUIREMENTS – TRANSPARENCY AND ACCOUNTABILITY

- 3.1 Data Protection law is underpinned by the key principles of transparency and accountability.
 - The transparency principle means that information must be made available to customers about how and why their data is used, and data must be used fairly in accordance with that information. In the course of the year, privacy

notices across the Council, TfC and SCAS were reviewed and reissued to reflect changes to processing arrangements.

- The accountability principle makes the data controller responsible for complying with the UK GDPR. As controllers, the Council and its companies must be able to demonstrate their compliance with the overall requirements of GDPR and the Data Protection Act 2018 through the provision of documented evidence.
- Each controller is obliged to put in place appropriate technical and organisational measures to meet the accountability and transparency standards as well as the requirements of the data protection principles. To support these requirements the Council takes a 'Data Protection by Design' approach to the planning, implementation and management of business systems and operational arrangements. It is now mandatory to carry out a Data Protection Impact Assessment (DPIA) for high-risk initiatives and to seek advice from the Data Protection Office with regard to their completion. The purpose of the DPIA is to identify potential risks to individuals' data protection rights, and to consider how these can be negated or mitigated. The view of the DPO must be sought when preparing a DPIA and the organisation must document its views on the DPO advice provided and further record its mitigation and / or acceptance of residual risk.

3.2 During the 2022/23 financial year the Data Protection Office has supported the Council and its companies to develop 19 DPIAs for a range of projects, initiatives, and business process reviews. This has included ongoing involvement in a range of projects in partnership with the NHS, the ongoing deployment of Assistive Technology in Adult Social Care, initiatives under the Smart Cities agenda, and the development of the GOSS digital platform, which allows staff to provide real-time, interactive updates and feedback to customers about their requests for services or support.

3.3 Arrangements remain in place with ICT and Corporate Procurement to check that a DPIA has been considered before progressing activity; these have supported growing awareness of the requirement to seek DPO input. Outside these specialist areas, revised content and guidance on the Information Governance Service Hub continues to raise awareness of the requirement to consider DPIAs at the outset of any piece of business redesign, new initiative, or commissioning exercise.

3.4 A programme of compliance checks utilising the ICO's Accountability Framework was undertaken in 2022/23, covering Adult Social Care, Housing and Community Living, and Together for Children Sunderland.

3.5 The Accountability Tracker sets out a comprehensive series of compliance standards and controls across all aspects of the GDPR. 2022/23 checks focussed on key areas:

- Contracts and Data Sharing
- Data Protection by Design

- Data Subjects' Rights
- Transparency

- 3.6 All three service areas in scope of the checks demonstrated strong evidence of compliance, with most controls being fully or partially met. Where minor recommendations for improvement were identified, these were incorporated into the DPO Service Plan for 2023/24 for support and implementation.
- 3.7 The Council maintains e-learning for Elected Members and Council staff on the iLearn training platform. Both Elected Members and staff are expected to maintain their data protection knowledge using these modules. The DPO team receives monthly updates from the iLearn (and Me@TfC system for TfC) platforms on training completion.

4. SUBJECT ACCESS REQUESTS

- 4.1 One of the central rights given to individuals under GDPR and the Data Protection Act 2018 is for data subjects to have access to records containing their personal information. These requests continue to be coordinated on the Council's and TFC's behalf by the Access to Files team, a small specialist team of 3 officers, based in the Information Governance Team within the Corporate Support Service.
- 4.2 The Data Protection Office supported the Access to Files team with a review of process and procedure to check compliance given the changes in working requirements, with several recommendations being made. Amongst the recommendations made were changes to template correspondence and a recommendation to move from paper to electronic working, with the associated benefits in ensuring work carried out away from council premises is undertaken securely.
- 4.3 Outcomes for the year 1 April 2022 to 31 March 2023 are below.

2022/23	New cases received in Year	New cases closed in Year	New cases closed Within Timescale	New cases closed Out of Timescale	22/23 cases still open at 31/3/23
Total	236	222 (94%)	136 (57%)	86 (37%)	14 (6%)
Citywide	39	39	32	7	0
Adult SC	23	22	10	12	1
TfC	120	107	40	67	13
Blanks**	54	54	54	0	0

** Access to Files Team unable to establish Dept due to lack of proof of ID and/or clarification from the requestor. Requests are closed after 30 days. No requests for SCAS or Siglion in this period.

- 4.4 Members will note that of the 236 new cases closed in-year, 136 (57%) were responded to within the statutory timescale of one calendar month (three months for complex cases); 86 (37%) cases exceeded timescale, while 14 were still open at the end of the year – mostly cases received in February or March 2023.
- 4.5 This compares to 94 (52%) being in-time and 69 (39%) exceeding timescales in 2021/22. Given the substantial upturn in the number of new requests – 236 in 2022/23 against 180 in 2021/22 – this maintenance of performance under resource pressures can be substantially attributed to the changes to working practices, especially the adoption of new digital processes and the reversion to regular physical access to records held in City Hall.
- 4.6 It has historically proved challenging to respond within time-limits where a case involves multiple files/records - children's social care in particular, where a given case involves multiple family members, which often makes consideration of the interplay between individuals' privacy rights particularly complex. There is also a statutory requirement that Health and other professionals are asked for their view on the release of records originating from them and this can incur delays. The Access to Files Team continue to review working practices and explore technological options to improve the service offered.

5. INFORMATION INCIDENTS

- 5.1 A dedicated reporting email address ('Info Alert') is maintained for notifying data breaches directly to the Data Protection Office, to facilitate prompt recovery and containment actions by staff. A separate dedicated address is in place for use for similar reports made by Together for Children. SCAS have their own arrangements in place for reporting and investigating incidents. The Data Protection Office encourages reporting, not only of known or suspected breaches, but also the identification of lower level 'near miss' events. Such reports are used to inform recommendations for improvements that can be made before a 'near miss' puts the data protection rights of individuals at risk.
- 5.2 Appendix A details the numbers and gradings of breaches reported for the period from 1st of April 2022 to 31st March 2023. The Data Protection Office made use of a RAG rated matrix grading system to gauge the severity of reported breaches. Breaches rated Red meet the criteria for referral to the ICO. Appendix B provides information about the types and distribution of breach reports across the Council's Directorates and companies.
- 5.3 Common themes identified in previous annual reports remain apparent, these relate to:
- Correspondence errors, related to use of incorrect addresses (postal or email) or personal information of another incorrectly contained in correspondence sent to the correct address.
 - Data quality issues frequently linked to, or proving to be the cause of, the above. Following management intervention the issue of re-use of previous

documents as templates was addressed and these instances declined for a period, although examples again occurred towards the end of the year.

5.4 Actions and recommendations taken/made include:

- Changes to business process and Team reminders about business process requirements.
- Staff involved in incidents refreshing their data protection training.
- Instructions to staff on following the correct process.
- Individual performance management.
- Double checking email and postal addresses and the contents of correspondence before sending.
- Use of clean templates for new documents.
- Requirement for e-mail data that is high risk or containing personal or sensitive information to be encrypted.

5.5 Arrangements for reporting data breaches are subject to ongoing review in the light of learning and feedback from incidents. The latest reporting materials are now published on the Information Governance Service Hub, providing for direct submission of reports to the Info Alert address, and giving staff instant access to breach management materials and advice for recovery, containment and investigation.

6. INFORMATION COMMISSIONER

6.1 No breaches were reported to the ICO in the course of the year

6.2 This compares with the previous year when four breaches were reported to the ICO.

7. COMPLIANCE ISSUES

7.1 A change to compliance monitoring was introduced in 2022/23, whereby compliance issues were captured. These are not personal data breaches where there has been a loss or unlawful disclosure of personal data but could be an infringement with any element of the GDPR. They are generally generated through:

- Customer complaints or allegations expressing dissatisfaction with how their data has been handled.
- A service area raising a query with the DPO Team, the nature of which suggests there may be a risk to compliance with the GDPR.
- Identification as part of the compliance checking programme.

7.2 Under Article 83 of the GDPR, an individual is entitled to seek compensation for material or non-material damage as a result of an infringement.

7.3 Appendix C details the numbers and categories of compliance issues in 2022/23. Members will note that 24 issues were recorded this year, with three key themes emerging:

- Customers complaining they did not consent to their data being shared, or that they were not made aware that their consent was not required as the basis to share.
- Complaints regarding the time taken to process Subject Access Requests
- Issues around Data Protection by Design, whereby DPIAs had not been undertaken, processor contracts or data sharing agreements with partner agencies were not in place.

8. THE CALDICOTT GUARDIAN ROLE AND THE ETHICS BOARD

8.1 The Caldicott Guardian (CG) is a senior person responsible for protecting the confidentiality of people's health and care information and making sure it is used properly. Within the Council, the role lies with the Performance Lead Manager for Adult Social Care in 2022/23.

The CG is supported by the Strategic Information Governance Group, which alongside its other functions acts as an Ethics Board to consider proposals for the use of personal information and make recommendations to the CG regarding the ethical and appropriate use of personal information.

8.2 Sunderland Care and Support and Siglion utilised the Council's Caldicott function in 2022/23, while in Together for Children the role is assigned to the Director of Children's Social Care.

9 NEXT STEPS

9.1 It is recommended that the Council and its connected organisations continue to engage with the Data Protection Office to refine arrangements for the use and management of personal data.

9.2 An ongoing programme of compliance checks, utilising the ICO's Accountability Framework, will continue into 2023/24, with periodic reports containing recommended actions for implementation being issued to Info Asset Owners.

9.3 Further embedding of 'Data Protection by Design' principles will be critical to ensure the DPO is involved at the earliest opportunity with new initiatives as the Council and partners move into the era of City Hall and to support the objectives of the City Plan. There are substantial implications for processing personal data posed by the Council's digitisation agenda underpinning programmes such as Smart City and City Hall.

9.4 The Government has tabled a Data Protection and Digital Information (DPDI) Bill which will modify some elements of the UK GDPR and Data Protection Act

2018. This bill has been through First and Second Readings and Committee and is currently at the Report Stage within the House of Commons. The Data Protection Office is monitoring progress of the Bill and will report to SIGG and Chief Officer Group when more detailed implications emerge.

10. RECOMMENDATIONS

- 10.1 The Committee is asked to consider the Data Protection arrangements in place, and performance against Data Protection standards in the 2021/22 year and provide its comments on the information provided in this report.

11. REPORT CONTACT

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Data Protection Officer
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APPENDIX A

Number reported 2021/22	Reporting Measure	Measure Description	Number reported 2022/23
1	ICO Reported	Number of personal data breaches reported to the ICO	0
3	ICO report - Council	Number of breaches self-reported to the ICO	0
1	ICO report - Public	Number of customer reports to the ICO by a member of the public alleging a personal data breach.	0
96	Breach Total	The total number of cases where a report or request for advice has identified a Personal Data Breach	58
3	Red	Number of cases where a personal data breach via SIRI - Serious Incidents Requiring Investigation - Red Rating	0
9	Amber	Number of cases where a personal data breach has been reported or identified via SIRI - Serious Incidents Requiring Investigation - Amber Rating	4
66	Green	Number of cases where a personal data breach has been identified via SIRI - Serious Incidents Requiring Investigation - Green Rating	54
18	Data Protection Issue (non-breach)	Data Protection issue (non-Article 4 of GDPR, i.e. concluded not a data breach after investigation)	N/A Now recorded as compliance issue (see Appendix C)

APPENDIX B

Breach Type by Directorate	Disclosed in Error	Lost in Transit	Process Not Followed	Technical Failure	Other	Total
City Development	2				2	4
Corporate Services	11		2	1	1	15
Neighbourhoods	11			1	2	14
Public Health	1		1			2
SCAS						0
Siglion			1			1
Together for Children	15		5			20
Universal	1			1		2
Total	41		9	3	5	58

APPENDIX C

Compliance Issue Type Directorate	No lawful basis to process info	Inaccurate data being processed	Individuals' rights not being recognised (SARs)	Data Protection by Design not considered	Total
City Development					
Corporate Services	1		7	1	9
Neighbourhoods			2		2
Public Health				1	1
SCAS					
Siglion					
Together for Children	2	1	6		9
Universal			3		3
Total	3	1	18	2	24

