

AUDIT AND GOVERNANCE COMMITTEE

AGENDA

Meeting to be held on Friday 2 February 2024 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 Wednesday 29 November 2023 (Copy attached.)	1
4.	Risk and Assurance Map Update 2023/2024 Report of the Assistant Director of Assurance and Property Services (copy attached).	5
5.	Risk and Assurance Map - Consultation for 2024/2025 Report of the Assistant Director of Assurance and Property Services (copy attached).	35
6.	Treasury Management - Third Quarterly Review 2023/2024 Report of the Director of Finance (copy attached).	37

7. **Treasury Management Policy and Strategy 2024/2025, including Prudential Indicators for 2024/2025 to 2027/2028** 53

Report of the Director of Finance (copy attached).

8. **Audit Progress Update**

Verbal report from Mazars LLP

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

The next meeting of the Committee will take place on Friday 26 April 2024 at 1.30pm

ELAINE WAUGH,
Assistant Director of Law and Governance

City Hall,
Sunderland

25 January 2024

AUDIT AND GOVERNANCE COMMITTEE
Wednesday 29 November 2023

Present:

Mr G N Cook in the Chair

Councillors Crosby, Foster, McDonough and Trueman together with Mr M Knowles.

In Attendance:

Paul Wilson (Director of Finance), Claire Emmerson (Assistant Director of Finance), Mark Kirkham and Diane Harold (Mazars) and Gillian Kelly (Democratic Services Team Leader).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillor Stewart.

Minutes

12. RESOLVED that the minutes of the meeting of the Committee held on 22 September 2023 be confirmed as a correct record.

Audited Statement of Accounts 2022/2023

The Director of Finance submitted a report providing Members with the Letters of Assurance required by the External Auditor as part of the Statement of Accounts process and presenting the Letter of Representation for 2022/2023. The Committee also received the Audit Completion Report from Mazars LLP providing their opinion on both the Council's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money). The audited Statement of Accounts for 2022/2023 was presented for approval by the Committee.

The Director of Finance reported that the Council had been required to publish its draft Statement of Accounts by 31 May 2023, however they had instead been published on 6 July 2023 due to delays in receiving pension valuation information

from the Local Government Pension Scheme (LGPS). An Accounts Delay Notice had been published on 31 May 2023 setting out the reasons why the publication was delayed.

Ideally, Mazars LLP would have provided an opinion on the Statement of Accounts by the end of September 2023 but this had not been possible due to audit firms being required to clear the backlog of audit work relating to previous years and the Council had published the required notice to advise of the delay. The audit opinion would not be issued at this time but it was expected that it would be unqualified.

Mark Kirkham and Diane Harold were in attendance to present the Audit Completion Report and Mark noted that there were only a small number of tests to complete and the auditors were pleased with where the work was at the current time.

Diane Harold advised that the required assurance from the Tyne and Wear Pension Fund auditors on the 2022/2023 Pension Fund accounts had not yet been received but it was understood that the work had been done and was being reviewed. It was also highlighted that some bank confirmations were outstanding; Mazars would write to the banks and building societies with which the Council had investments and two confirmations were outstanding for investments of £120m.

In terms of the significant risk in relation to net defined benefit liability for pensions, Diane had made Members aware of the current net asset position at the previous meeting of the Committee and there were some technical issues to consider about how this was calculated. The net defined liabilities for the two subsidiaries of the Council, Together for Children and Sunderland Care and Support, had been reviewed and no issues found.

A much larger sample had been used for the work on the valuation of property, plant and equipment for this year's audit and a small number of errors had been found but these were a trivial amount.

Diane directed Members to the significant matters discussed with management which included pensions, the shared PFI waste facility, Newcastle Airport shares, litigation and claims (including RAAC), group financial statements and IT internal control recommendations. There had been no significant difficulties encountered during the audit and Mazars had the full cooperation of management.

There had been three internal control recommendations for 2022/2023 in relation to evidencing lease agreements, evidencing approval for new loans and access to journal posting. None of these were high priority recommendations. Follow up had been carried out for previous year deficiencies in internal control and it was noted that a recommendation about disaster recovery tests for SAP had now been closed.

Diane reported that a small number of misstatements had been identified, none of which were material and had a net nil impact for the year. There were two unadjusted disclosure amendments which were not viewed as significant.

In respect of the Value for Money arrangements, it was intended that a combined report would be produced for 2021/2022 and 2022/2023. There had been no significant risks identified for either 2021/2022 or 2022/2023 but this would be kept

under review until the opinion was signed off. The audit certificate had not formally been issued for 2021/2022 but this was on track, subject to the completion of the outstanding areas of work.

Councillor McDonough noted the much-improved position regarding the pension fund and asked if there were any thoughts about where this would go in the future. Mark Kirkham stated that there was a great degree of turmoil in the gilts market and this meant that it was not possible to make predictions.

Mr Knowles thanked Mark and Diane for their assurance around the levels of cooperation which the auditors received and noted that the sparsity of internal control recommendations was credit to the management of the Council. He referred to the staffing issues being experienced in the audit sector and asked if this would impact on the audit for Sunderland.

Mark advised that the final review of the audit was ongoing and he offered assurance that there was zero tolerance for quality related issues; the standards which Mazars applied and the deployment of people would not impact on quality. Diane added that the team worked with the resources that they had and were persistent in making sure that standards were met.

Councillor Crosby commented that she understood a school in Washington had been found to have RAAC and asked if that would have an impact on the significant risks in the audit. Diane said that the auditors had asked the Council to inform them of any RAAC issues but they would distinguish between academies and local authority schools. The Director of Finance advised that it would be the responsibility of an academy or trust to rectify any defects but the Council would support schools in terms of sufficiency.

Councillor McDonough asked about information on the Council's return on investments and the Director of Finance stated that as reported through the treasury management updates reported to this committee and to cabinet the levels of returns have been increasing in line with increases in the Bank of England base rate with recent returns significantly in excess of 5% having been secured.

The Chair thanked the Director of Finance and his team and colleagues at Mazars for their work in relation to the production of the Financial Statements.

Having considered the report, the Committee: -

13. RESOLVED that: -

- (i) the contents of the Letter of Assurance from those charged with governance (Appendix A) and the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix B) be noted;
- (ii) the contents of the Letter of Representation (Appendix C) be noted;
- (iii) the contents of the Audit Completion Report (Appendix D) provided by Mazars LLP be noted;

- (iv) the revised Audited Statement of Accounts for the financial year ended 31 March 2023 (Appendix E) be approved; and
- (v) it be agreed that, should any amendments to the Statement of Accounts be required after the meeting of the Audit and Governance Committee, these be agreed by the Assistant Director of Finance in conjunction with the Chair. Members of the Audit and Governance Committee would be notified of any agreed changes.

Dates and Times of Next Meetings

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

Friday 2 February 2024 at 1.30pm
Friday 26 April 2024 at 1.30pm

(Signed) G N Cook
Chair

AUDIT AND GOVERNANCE COMMITTEE

2 February 2024

RISK AND ASSURANCE MAP UPDATE – 2023/24

Report of the Assistant Director of Assurance and Property Services

1. Purpose of Report

1.1 To enable the Audit and Governance Committee to consider:

- the updated Risk and Assurance Map and supporting Strategic and Corporate Risk Profiles based on assurances gathered from a range of sources;
- work undertaken by the audit, risk and assurance service during the year to date; and
- the performance of Internal Audit.

1.2 The report covers work undertaken for the Council and Council owned companies.

2. Description of Decision

2.1 The Audit and Governance Committee are asked to note and consider the report.

3. Background/Introduction

3.1 In April 2023 the Committee agreed the Risk and Assurance Map and Strategic and Corporate Risk Profiles for 2023/24. Both the Strategic and Corporate Risk Profiles have been updated as well as the Risk and Assurance Map following consultation with Chief Officers and relevant key officers. The 'X's in the assurance columns show where assurance is expected to be received from in the current financial year.

4. Risk and Assurance Map

4.1 The Risk and Assurance Map at Appendix 1 has been updated to reflect any changes to both the Strategic and Corporate Risk Profiles and these are described in more detail in paragraphs 4.2 and 4.3 below.

Strategic Risk Areas

4.2 The top section of the Map relates to the strategic risks identified in the Strategic Risk Profile, attached at Appendix 2. All changes to the Strategic Risk Profile are shown in red text for ease of reference. Changes to the risk scores have been made in relation to:

- R02 *The city, its residents and businesses do not access the potential in the investments being delivered in the context of significant economic challenges.* Currently the likelihood of this risk occurring has reduced from its previous level

of 3 to 2 and this reduction then reduces the overall risk rating from its previous level of 12 (Red) to 8 (Amber).

- *R03 Unable to meet the aspirations set out in the Local Plan to generate a variety of property types and tenures that meet the needs and aspirations of families and individuals.* The impact of this risk if it were to occur has been reduced from its previous level of 4 to 3 and this reduction then reduces the overall risk rating from its previous level of 8 (Amber) to 6 (Amber).
- *R06 Unable to maximise the opportunities created by the Smart City Infrastructure.* The target impact level for this risk has reduced from its previous level of 3 to 2 and thus reducing the risks target score down from 6 (Amber) to 4 (Green).
- *R07 Resources and critical infrastructure are not in place to enable the Council to become carbon neutral by 2030 and Sunderland to be carbon neutral by 2040.* The target impact level for this risk has increased from its previous level of 3 to 4 and thus increasing the risks target score up from 6 (Amber) to 8 (Amber).
- *R11 Unable to control variants of the Covid virus, and other communicable diseases, which could increase the spread of the infection across Sunderland.* The likelihood of this risk occurring has reduced from its previous level of 3 to 2 and this reduction then reduces the overall risk score from its previous level of 12 (Red) to 8 (Amber).
- *R12 The introduction of a statutory Integrated Care System with a regional Integrated Care System (ICS) Health and Care Partnership, covering the North East and Cumbria may reduce the resources available in Sunderland for Health and Social Care.* The likelihood of this risk occurring has increased from its previous level of 3 to 4 and thus increasing the current risk score up from 9 (Red) to 12 (Red).
- *R13 Current model of social care cannot be sustained in the future, due to increasing pressures within the social care environment.* The impact of this risk if it were to occur has been reduced from its previous level of 4 to 3 and this reduction then reduces the overall current risk score from its previous level of 8 (Amber) to 6 (Amber).
- *R22 Opportunities are not taken to enable families and individuals to support themselves, to mitigate the impact of indebtedness and welfare reforms and progress their ambitions.* The target likelihood level for this risk has increased from its previous level of 1 to 2 and thus increasing the risks target score up from 4 (Green) to 8 (Amber).

A new risk relating to Homelessness has been added:

- *R21 Unable to implement the aspirations set out in the Housing Strategy and Homelessness and Rough Sleeper Prevention Strategy and unable to develop the city's rough sleeper accommodation that meets the needs and aspirations of individuals.*

Corporate Risk Areas

- 4.3 The middle section of the Map shows the cumulative risk assessments and the assurance levels relating to the risks identified in the Corporate Risk Profile, attached at Appendix 3. There is one change to highlight, the risk score for R47, Asset Management has reduced from 9 (Red) to 6 (Amber) due to the positive results of the recent audit of the implementation of the Corporate Asset Management Strategy.

Council Owned Companies

- 4.4 The bottom section of the Map shows the Assurance position in relation to Companies that are wholly owned by the Council and are part of the group for the financial statements. There have been no changes to the Risk and Assurance Map in relation to Council Owned Companies.

Assurance from Internal Audit

- 4.5 The audits to be carried out this year and the detailed results of completed Internal Audit work is shown at Appendix 4, with the summary outcomes shown on the Map. The assurance level for ICT Infrastructure has changed from Amber to Green due to the follow up of the ICT Disaster Recovery/Business Continuity agreed actions which resulted in a 100% implementation rate.
- 4.6 Appendix 4 shows all of the opinions, including those from previous years, which have been considered in determining the overall assurance level for the Strategic and Corporate Risk Areas and Council Owned Companies. Those audits shown in grey are those in previous years where it became not appropriate to complete the audit at that time.

Assurance from Risk and Assurance function

- 4.7 There is one post within this function. The post has recently been filled with current activity focussing on the update to the Strategic Risk Profile and a review of the Council's Risk Management Policy and Framework and the underlying arrangements.

Assurance from others within the Council

- 4.8 Assurance provided from others within the Council is shown in the Risk and Assurance Map.

Assurance from Management

- 4.9 Arrangements are in place to obtain assurance from senior managers for all service areas within the Council through an annual governance questionnaire which is currently being completed for 2023/24.

Assurance from External Sources

4.10 The Map includes assurance from relevant external sources.

Overall

4.11 The overall assurance levels are either green or amber. The Risk and Assurance Map, Strategic and Corporate Risk Profiles were recently considered by Chief Officers.

5. Internal Audit Performance

5.1 The performance in relation to targets set for Internal Audit is shown at Appendix 5. All KPIs are on target.

5.2 Under the Public Sector Internal Audit Standards Internal Audit is required to be subject to an external review every 5 years to ensure that it is operating in line with the Standards. The last review took place in 2018 and a further review is currently ongoing. The results of this will be reported to the Committee in due course. As part of this Internal Audit's Charter has been updated and is attached at Appendix 6 for the Committee's approval.

6. Conclusion

6.1 Results of the work undertaken so far during the year have not highlighted any issues which affect the overall opinion that the Council continues to have in place an adequate system of internal control.

7. Recommendation

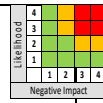
7.1 The Audit and Governance Committee are asked to:

- Note and consider the report.
- Approve the revised Audit Charter at Appendix 6.

Risk and Assurance Map – 2023/24

Strategic and Corporate Risk Areas			1st Line												
	Current Risk Score	Cumulative Assurance Position	2nd Line											3rd Line	
			Other Internal Assurance Activity											Internal Audit	External Assurance
			Law & Governance	Financial	Programmes & Projects	Performance	DPO	ICT	People Mgt	Health & Safety	Business Continuity	Risk & Assurance	Internal Audit	External Assurance	
Strategic Risk Areas															
Dynamic Smart City															
More and better jobs	Amber	Green										Green			
More and better housing	Amber	Green										Green			
More local people with better qualifications and skills	Red	Amber										Green			
A stronger City Centre with more businesses, housing and cultural opportunities	Red	Green										Green			
A lower carbon City with greater digital connectivity for all	Amber	Green										Green			
Healthy Smart City															
Equitable opportunities and the best life chances for children	Green	Green										Green	Amber	Green	
Reduced health inequalities enabling more people to live healthier longer lives	Red	Amber										Green			
High quality support and social care that enables those who need it to live the life they want to lead	Amber	Green										Green	Green		
Cleaner and more attractive City and neighbourhoods	Amber	Amber										Green	Amber		
Great transport links with low carbon and active travel opportunities for all	Amber	Amber										Green			
Vibrant Smart City															
Residents feeling proud of the city and please where they live with more people active and participating in their communities	Amber	Green										Green			
More people visiting Sunderland with businesses thriving and more residents shaping and participating in cultural events	Amber	Amber										Green	Amber		
More people feeling safe in their homes and neighbourhoods and businesses benefitting from the city's safe and secure environment	Amber	Amber										Green			
Residents who are more resilient to ongoing challenges including the cost-of-living crisis	Amber	Green										Green			
Enabling															
Finance	Red	Green										Green	Amber	Green	
Partnership Working	Amber	Amber										Green	Amber		
Corporate Risk Areas															
Strategic Planning	Amber	Green				Green						Green	Amber		
Commissioning	Amber	Amber	Green									Green	Amber	Amber	
Service Delivery Arrangements	Amber	Amber	Green									Green	Green	Amber	
Partnership/Integrated Working	Amber	Green	Green									Green	Amber	Green	
Procurement	Green	Green										Green	Green		
Relationship/Contract Management	Amber	Amber										Green	Green	Amber	
Legality	Green	Green	Green	Green								Green	Green		
Risk Management	Amber	Amber										Green	Amber	Amber	
Corporate Performance Management	Green	Green				Green						Green			
Financial Management	Green	Green	Green	Green								Green	Green	Green	
Income Collection	Green	Green										Green	Green	Green	
Capital Programme Management	Amber	Amber			Green							Green	Amber		
People Management	Red	Amber	Green						Green			Green	Green	Amber	
Health and Safety	Amber	Amber	Green							Green		Green	Amber		
ICT Infrastructure	Amber	Amber						Green				Green	Amber		
Cyber Security	Amber	Amber						Green				Green	Amber		
Information Governance/Security	Amber	Green	Green				Green					Green	Green		
Business Continuity Management	Amber	Amber									Green	Green	Green		
Programme and Project Management	Red	Amber	Green		Green							Green	Amber	Amber	
Asset Management	Amber	Amber									Green	Green	Amber		
Anti-Fraud and Corruption	Green	Green	Green								Green	Green	Green		
Council Owned Companies															
Sunderland Care and Support	Amber	Green		Green								Green	Green	Green	
Together for Children Sunderland	Green	Green		Green							Green	Green	Green	Green	
Siglion	Amber	Green		Green							Green	Green	Green		

Key: X=activity planned, White=no coverage, Green=full / substantial assurance, Amber=moderate assurance, Red=limited / no assurance



STRATEGIC RISK PROFILE														Assurance					
				1 = Unlikely 2 = Possible 3 = Likely 4 = Almost Certain		1 = Minor 2 = Moderate 3 = Significant 4 = Critical													
						Current Score (Feb 2024)		Target score						1st Line		2nd Line		3rd Line	
City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance		
DYNAMIC SMART	More and better jobs.	R01	Unable to attract commercial / manufacturing interest to our development sites.	Developments in other areas of the country may be more attractive to Investors. Uncertainty arising from a range of economic factors leading to greater caution by Investors. Firms may review their plans due reduced turnover and increased home working.	Delay in regenerating the City and delivering the City Plan. Inability to grow Business Rate Income.	City Plan. City Board. IAMP LLP Board.	4	2	8	4	1	4	Executive Director of City Development						
	More and better jobs.	R02	The city, its residents and businesses do not access the potential in the investments being delivered in the context of significant economic challenges.	Reduction in footfall due to the cost of living crisis. Other interacting factors contributing to commodity, logistical issues, including driver shortages and Inflation	Adverse economic impact on local businesses. Delay in regenerating the City and delivering the City Plan.	City Plan. City Board. University Enterprise Zone	4	2	8	4	2	8	Executive Director of City Development						
	More and better housing.	R03	Unable to meet the aspirations set out in the Local Plan to generate a variety of property types and tenures that meet the needs and aspirations of families and individuals	Traditionally a difficult market to incentivise. High number of empty properties. High % of homes in low Council Tax bands. Limited Green space to attract continued development	Outward migration continues.	Housing Strategy. City Plan. City Board.	3	2	6	4	2	8	Executive Director of City Development						
	More local people with better qualifications and skills.	R04	The qualifications and skills which Sunderland's residents have may not match the needs of industry in the City.	Employer entry level qualification requirements not well met by a population who have a lower than average achievement of 1 & 2 skills. The national curriculum drives an academic agenda and schools have very little scope to tailor curriculum or follow vocational routes. High attainment at Primary School isn't matched at KS4. City has comparatively fewer residents with degrees as many leave to work in other areas of the UK.	Sunderland residents are less able to access all of the employment opportunities that are created in the City and on average earn less than non-resident Sunderland workers.	City Plan. City Board	4	3	12	4	2	8	Executive Director of City Development / Director of Children's Services						
	A stronger City Centre with more businesses, housing and cultural opportunities.	R05	Sunderland City Centre fails to drive transformational economic growth.	Declining retail, economic and service functions due to cost of living crisis. Independent traders struggling. Peripheral but accessible employment locations – e.g. Doxford Business Park. Fragile viability of the City Centre.	Delay in regenerating the City and delivering the City Plan. Continued decline of the City Centre. Migration out of the City continues.	City Plan. City Board. Riverside Sunderland Development.	4	3	12	4	2	8	Executive Director of City Development						

City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact			Mitigating Actions			COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance
							Likelihood	Rating		Likelihood	Rating							
A lower carbon city with greater digital connectivity for all.	R06	Unable to maximise the opportunities created by the Smart City Infrastructure.	Smart City Programme including strategic joint venture is unsuccessful.	Businesses and residents are not attracted to the City. Unable to access faster speeds and more reliable connectivity. Unable to take advantage of new digital and data solutions.	City Plan. Contract with City Fibre. Virgin Media upgrades and extension. Deployments by Netomia and Grain Connect in the city. Several significant funding bids delivered and more in train. Digital Careers and Education Partnership with Digital Catapult. MOU in place with Microsoft. Additional infrastructure and digital and data solutions continually being developed.	3	2	6	2	2	4	Sunderland City Council has awarded a 20-year strategic partnership to Boldyn Networks (formerly BAI Communications) to design, build and operate next generation digital infrastructure including a private 5G small cell network. Project areas include: <ul style="list-style-type: none"> Manufacturing and logistics. Intelligent traffic mapping and air quality Education, including digital skills. Health Social Care. Public Sector Reform and Public Safety Council continues to work with Boldyn to progress the significant and extensive Delivery Plan. SAFC and Sunderland University have signed contracts for infrastructure services and discussions continue with the Hospital Trust, the College and Property Developers. Successful UKSPF bid being delivered to support Digital Hubs in communities and digital inclusion activities. Successful Innovate UK bid being delivered for autonomous city centre shuttles. Successful bid announced of £5.7m for next generation connectivity with Sunderland AFC and ESports. Additional £3.8m awarded for 5G use case deployment. Work underway for prepare the digital landscape across the LA7 aligned to devolution.	Director of Smart Cities and Enabling Services					
		Resources and critical infrastructure are not in place to enable the Council to become carbon neutral by 2030 and Sunderland to be carbon neutral by 2040 .	Measures are not in place to meet the aspirations of the Council and City to become carbon neutral. Limited business take-up of low carbon initiatives	Fail to reduce greenhouse gas emissions and make related financial savings.	Carbon Management Plan. City Plan.	4	4	16	4	2	8	Implement the Low Carbon Framework and Delivery plan to reduce individual carbon footprints, improve energy efficiency of existing homes and buildings, develop low carbon and active transport modes, develop renewable energy generation / storage grow the city's green economy, reduce the volume of all consumption and waste, increase opportunities to reuse materials and recycle waste. Sunderland's Low Carbon framework sets an ambition for the Council becoming carbon neutral by 2030 and the City to become carbon neutral by 2040. Carbon Action Plan is being refreshed. However inflation and financial pressures may slow the take up of carbon reduction initiatives. Significant investment is needed across the City to accelerate progress in relation to the 2040 city wide target in this challenging context.	Executive Director of City Development					
Access to equitable opportunities and life chances.	R08	The Council is not able to fulfil its statutory responsibility for Children and Young People and also ensure families are resilient to enable them to achieve their desired outcomes.	Resources are not sufficient to protect children and young people from harm or exploitation by others. Families in need of support do not have the financial or emotional stability to respond to challenges and achieve the best possible outcomes for their children	Adverse impact on vulnerable children at both an educational and safeguarding perspective. Children and young people are at risk and harm or exploitation by others.	TfC contract monitoring arrangements. City Plan. Outstanding Ofsted outcome	4	1	4	4	1	4	ILACS Ofsted Report August 2021 "Leaders and managers are confident, ambitious and influential in changing the lives of local children, young people and their families including cared for children and care experienced young people." "A new and vibrant culture is now widespread across children's services in Sunderland. This successful approach has resulted in children's voices and influence being central to assessments, planning and interventions. Staff across the council and the multi-agency partnerships are hugely focused on seeking to identify vulnerabilities and needs, providing support for children and families before problems escalate. JTAI (Ofsted, CQC & HMICFRS) report January 2023 reinforces the view that Ofsted continue to see evidence of high quality service interventions from TfC providing assurance therefore that the service has not deteriorated since the full ILACS judgement in 2021. A further Ofsted Focused Visit in October 2023 referenced that for children in need and those subject to a child protection plan, receive timely and effective support when they need it. Their needs are assessed by highly skilled and committed workers, who develop clear plans to make children safer. QA and performance management systems ensure that leaders have a firm grip on the quality of practice, and know their service well. First registered provider nationally (2023) of supported accommodation for over 16 year olds is evidence of the continued focus on doing what's best for children whilst securing high levels of regulatory compliance. TfC also allowed Ofsted to pilot the supported lodgings inspection framework in Sunderland which provided an early opportunity to test current provision against the new framework. Monitor commissioning arrangements and outcomes, including the priority areas of Safeguarding, the development of life skills and support for families, which enhance access to the same opportunities and life chances. Joint work between TfC and SCC on MTFP to ensure joined up financial planning	Director of Children Services					
Reduced health inequalities enabling more people to live healthier longer lives.	R10	Unable to improve the historically poor Health outcomes in Sunderland and reduce Health inequalities.	Adverse impact of Covid 19 and the cost of living crisis on health inequalities. The Sunderland Joint Strategic Needs Assessment identified high level health challenges for Sunderland including: Long term health problems- excessive alcohol, smoking, poor diet and low levels of physical activity. Poor mental health and wellbeing. Increased health risks of people with a physical or learning disability.	Life expectancy and healthy life expectancy are below the national average. Ill health continues to present an unsustainable burden on the health and care system and wider City economy.	Joint Strategic Needs Assessment. Health & Wellbeing Board. H&WB Priority Working Groups City Plan. Altogether Better Alliance	4	4	16	4	2	8	Healthy City Plan agreed to address the major issues identified in the Joint Strategic Needs Assessment The Health & Wellbeing Board oversees the Delivery Plan and Workstreams including, Best Start in life, Young people aged 11-19, Smoke free Sunderland, Addressing alcohol harms, Healthy economy, Mental health and wellbeing, Ageing well. Council has prioritised its ways of working in developing an approach to tackling inequalities. The Health, Housing & Communities Directorate, provides greater scope to address long term health issues in the community.	Executive Director of Health, Housing & Communities					
Reduced health inequalities enabling more people to live healthier longer lives.	R11	Unable to control variants of the Covid virus, and other communicable diseases, which could increase the spread of the infection across Sunderland.	Complexities in controlling the spread of the virus / variants. Individuals do not adhere to guidance. Fewer people are having their seasonal boosters	Adverse impact on peoples health, both short and long term (including council employees).	Sunderland Health Protection Board	4	2	8	4	1	4	Any changes to national guidance on the management of respiratory illness and infectious disease, including in response to new variants of concern of Covid-19, will be actioned accordingly. Ongoing surveillance is undertaken by UKHSA. Management of an outbreak of any communicable disease will be managed in accordance with agreed national and local processes and ways of working, working closely with UKHSA. This would include the establishment of Outbreak Control Teams, if required. Sunderland Health Protection Board has oversight and governance for health protection and an annual Health Protection Assurance Report is produced. The NHS (ICB) has lead responsibility for the winter vaccination programme, working with local partners, and will provide updates on programme delivery to the Health Protection Board.	Executive Director of Health, Housing & Communities					
Reduced health inequalities enabling more people to live healthier longer lives.	R12	The introduction of a statutory Integrated Care System with a regional Integrated Care System (ICS) Health and Care Partnership, covering the North east and Cumbria may reduce the resources available in Sunderland for Health and Social Care	NHS and local authorities have a duty to collaborate with each other under a statutory Integrated Care Systems (ICSs). These will include an ICS Health and Care Partnership, bringing together the NHS, local government and partners. The Integrated Care Board are currently restructuring and reducing management costs by 30% over two years. This will amalgamate Sunderland and South Tyneside teams.	A regional ICS Health and Care Partnership, covering the North east and Cumbria, may prioritise areas outside of Sunderland	Health & Wellbeing Board.	3	4	12	3	2	6	Local partners to work together to promote Sunderland interests at a regional level. Assistant Director of Integrated Commissioning jointly appointed (CCG) to develop Sunderland Based Place Arrangements. National changes to the NHS may be delayed and this may impact on local arrangements. Integrated Care System is live. High level Place Based arrangements have been agreed, with work on-going to develop the supporting requirements.	Executive Director of Health, Housing & Communities					

City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Impact Likelihood	Rating	Mitigating Actions	COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance	
HEALTHY SMART	People enjoying independent lives.	R13	Current model of social care cannot be sustained in the future, due to increasing pressures within the social care environment.	Increase in the level of long term conditions, including increasing proportions of people with multiple long term conditions. Potential market failure in the supply chain. Difficulties in keeping supply and demand in equilibrium. Work force issues. Increased requests to support the NHS around hospital discharges..	Care options for adults do not meet the needs of individuals or result in increased costs to the Council.	Health & Wellbeing Board. City Plan.	3	2	6	4	1	4	Director of Adult Services & SCAS Chief Operating Officer					
	Cleaner and more attractive City and neighbourhoods.	R14	Council resources and the input of residents are not fully optimised to tackle environmental issues in neighbourhoods.	The level of services delivered by the council does not always meet customer expectations. Recycling bins are often contaminated. Increased fly tipping.	Fail to achieve cleaner and greener streets across the City. Recycling rates are not increased.	City Plan.	4	2	8	4	1	4	Director of Environmental Services					
	A City with great transport and travel links.	R15	The City cannot meet the challenge to develop an active and green transport system in response to Covid19 and other economic pressures.	Enhanced electric infrastructure required. Limited pedestrian and cycling routes. Winter maintenance programme may be impacted by the availability of resources (grit and drivers)	Fail to change the use of cars as the primary source of travel. Restricted connectivity between different areas of the City.	Transport Movement Plan for Sunderland. City Plan.	3	2	6	3	1	3	Executive Director of City Development					
	More residents participating in their communities.	R17	Pathways are not in place to encourage / support more residents to participate in making their neighbourhoods more desirable.	Residents are not fully aware of opportunities to participate in their neighbourhoods.	Neighbourhoods become less attractive. Outward migration continues.	City Plan.	3	2	6	3	2	6	Executive Director of Health, Housing & Communities					
VIBRANT SMART	More people visiting Sunderland and More residents informing and participating in cultural events programmes and activities.	R18	Sunderland may not be recognised as a cultural destination of choice.	The developing cultural offer is not fully understood. Limited number of City centre hotels.	City's cultural offer does not contribute fully to the City being an attractive and vibrant place to invest, work, learn, live and visit. Adverse impact of Covid restrictions.	City Plan.	3	2	6	3	1	3	Executive Director of City Development					
	More people feeling safe in their homes and neighbourhoods.	R19	Reduced trust in public protection.	Significant local crime events. Vulnerable residents are exploited by organised crime syndicates. Community Engagement has indicated that fear of crime is an issue although crime statistics are low. Young People's survey Nov 19 indicated that Knife crime and Hate crime are issues of concern.	Localised community tensions. Vulnerable individuals have their lives controlled by criminal organisations.	Safer Sunderland Partnership. City Plan.	4	2	8	4	1	4	Executive Director of City Development					
	More people feeling safe in their homes and neighbourhoods.	R20	Council fails to provide support for victims of domestic abuse as required by the Domestic Abuse Act 2021.	New legislation imposing duties on the Council to provide accommodation-based support for victims of domestic abuse	Individuals / Families continue to suffer from the adverse impacts of domestic abuse	Domestic Abuse Act 2021 Health & Wellbeing Board	4	2	8	4	1	4	Executive Director of Health, Housing & Communities					

City Plan Theme	City Plan Priority actions	ID	Strategic Risk Description	Cause	Impact	Current Controls	Impact			Mitigating Actions			COG Lead	Overall Assurance	Management Assurance	Risk and Assurance	Internal Audit	External Assurance	
							Likelihood	Rating		Likelihood	Rating								
	More people feeling safe in their homes and neighbourhoods.	R21	Unable to implement the aspirations set out in the Housing Strategy and Homelessness and Rough Sleeper Prevention Strategy and unable to develop the city's rough sleeper accommodation that meets the needs and aspirations of individuals	Unable to identify and secure suitable accommodation Unable to recruit the required support provider/s Lack of funds to fund the above Local objections / concerns Increase in service demands meaning that more accommodation is needed than can be provided	Increases in the cost of using hotels and B&Bs to house those found homeless. This would effect both the short and long term Increased demands placed on the staff team when dealing with service provision. Poor morale and increased staff turnover More persons forced to sleep rough and at risk Poorer health of those found homeless More people put at risk by staying in unsuitable accommodation/s or situations or by sleeping rough Criticism from partners, the public and government for not being able to provide the service required Failure to meet duties of the Homeless Reduction Act	Integration of systems to confirm direction of travel regards service demands Development of Action Plan to improve the procedures and actions around all aspects of service delivery Use of the Development Team to identify potential schemes Ongoing conversations internally with officers and members to ensure the issues with lack of accommodation/s are highlighted. Secure support to deliver schemes, initiatives and secure funding Strong relationship with DLUHC backed up by bidding history and spend of funds	4	2	8	4	1	4	Continued monitoring of data to ensure increases in service demands are identified and the ability to meet these demands met Continue work to secure accommodation opportunities, backed up with the necessary support Monitoring of workload and type of potential new ways to support the client group identified and staff are equipped to deal with (increasing and varied) service demands Development and enaction of Action Plan to improve all aspects of service provision. This has been developed with Partners and Members, which has ensured buy in Continue to work with partners to ensure the best supply of accommodation and support to meet demand/s Work to appraisal senior officers and members of the ongoing pressures on the service	Executive Director of Health, Housing & Communities					
	More resilient people.	R22	Opportunities are not taken to enable families and individuals to support themselves, to mitigate the impact of indebtedness and welfare reforms and progress their ambitions.	Ongoing austerity and welfare reform changes have exposed many more residents to the effects of poverty – including food insecurity. Impacts of Covid 19 and the cost of living crisis have reduced the value of income.	Increase in the number of families falling into debt and requiring welfare support. Increase in the number of children being able to achieve at school.	Sunderland Foodbank. City Plan.	4	4	16	4	2	8	Sunderland City Council, in partnership with the voluntary and community enterprise sector has: Published our Statement of Intent for fuel energy measures to address fuel poverty/energy efficiency in privately owned homes. An Internal Task Group is reviewing how further support can be provided, working with Partners and the Voluntary Sector in response to the cost of living crisis. With the on going cost of living crisis demand for food banks and food aid providers have increased significantly, donations are at risk due to financial pressures and with the recent Governemnt policy change with the Household Support Fund ending whilch had previously provided financial support to foodbanks it puts the foodbank position in a difficult situation and were the Council now need to explore options to support in the future	Executive Director of Health, Housing & Communities					
ENABLING	Finance.	R23	Aspirations to deliver the City Plan may be restricted by financial pressures.	Uncertainty as to the level of Government funding to be provided (1 year settlement only) and timing and impact of any Fair Funding Review. Lack of clarity and guarantees on long term funding position increases the uncertainty around future delivery in the medium to longer term Progressive reduction in Government funding since 2010. Cessation of European Funding with UK Shared Prosperity Fund only confirmed up until March 2025. Changes to funding streams, changes in amounts of funding, high levels of inflation, pay awards, borrowing costs, potential liabilities etc.	Inability / delay in addressing Sunderland's challenges / priorities leading to City Plan outcomes not being delivered. Strategic financial plans do not align to Council priorities, objectives and direction as set out in the City Plan.	Medium Term Financial Plan (MTFP). Budget Plan. City Plan.	4	3	12	4	1	4	The 2023/24 budget and MTFP was approved by Council in February 2023. At the same time, the update to the City Plan ensured a joined up strategy and financial view for the council. In year budget monitoring is tracking delivery of the budget in light of significant inflationary pressures (contractual, pay, utilities etc). Budget for 2024/25 is currently being developed and to be considered by Council on 28th February 2024. Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position with residents, supplemented with the usual engagement with Trades Unions, Schools Forum and business community. Lobbying of Government around funding for local authorities undertaken jointly through ANEC, SIGOMA etc.	Director of Finance					
	Partnership Working.	R24	Objectives and priorities of Council and other Partner(s) may conflict or are not aligned to deliver the priorities in the City Plan.	Reducing resources may lead to partners concentrating on their own priorities at the expense of City priorities. Lack of understanding by each partner as to the contribution they can play to the delivery of the City Plan. Lack of partnership performance monitoring. Not all Partnership Boards across the City are aligned and may not have a full understanding of the varying priorities and delivery objectives.	Unable to achieve City priorities and support communities.	City Plan.	4	2	8	4	2	8	Partners represented on the City Board to support delivery of the City Plan. Partners to identify projects that support delivery of the City Plan.	Assistant Director of Strategy and Corporate Affairs					

CORPORATE RISK PROFILE

Risk Likelihood	Risk Impact	Likelihood			
1 = Unlikely	1 = Minor	4	3	2	1
2 = Possible	2 = Moderate	3	2	1	
3 = Likely	3 = Significant	2	1		
4 = Almost Certain	4 = Critical	1			
		Negative Impact			

Appendix 3

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Current Score (Feb 2024)			Mitigating Actions	Owner	Source of Assurance	Target Score			Assurance						
						Impact	Likelihood	Rating				Impact	Likelihood	Rating	Overall Assurance	1st Line		2nd Line		3rd Line	
																Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance	
R01	Strategic Planning	The priorities set out in the City Plan do not address the needs of the City as whole.	Corporate planning process does not adequately reflect the views of the community. Various sections of the community are not engaged. The Council does not understand the impact of external factors on the community.	Fail to contribute to the welfare and future prosperity of our communities.	COG. JLT. City Plan. Strategic Risk Profile. Corporate Service Plan Template	4	1	4	City Plan driven by required outcomes and commissioning activity.	Director of Corporate Affairs	Risk and Assurance Team Internal Audit Governance questionnaire	4	1	4	Strategic Planning	X	Performance	X	X		
R02		Strategic plans are not adequately communicated on a timely basis to relevant Council officers and external partners responsible for delivering plans.	Lack of timetable re corporate / service planning Lack of communication of plans	Lack of delivery of plans by those partners/services responsible	COG. JLT. City Plan. Strategic Risk Profile. Corporate Service Plan Template	4	1	4	Communication of the City Plan continues across the Council and Partners. Service planning process to ensure that service plans reflect delivery of the City Plan.	All Assistant Directors/Directors	Risk and Assurance Team Internal Audit	4	1	4				Performance	X	X	
R03	Commissioning	Commissioning decisions are not based on appropriate intelligence	Appropriate intelligence is not gathered, e.g. performance data is incomplete, is out of date, or is not appropriately analysed or assessed to determine the needs of the community Do not engage with the appropriate sectors of the community / market	Ineffective use of limited resources. Customers outcomes are not achieved resulting in more expensive interventions being required.	Community engagement arrangements. Intelligence Service. Performance Management Framework.	4	2	8	Identify intelligence required and potential sources to inform decisions. Develop engagement plans to gather the required information. Analyse the information and use the results to inform the commissioning decisions.	All Assistant Directors/Directors	Governance questionnaire Internal Audit Corporate Performance Management	4	1	4	Commissioning	X					X
R04		Most appropriate and cost effective commissioning option to meet identified needs and achieve commissioning priorities and outcomes is not chosen.	Failure to identify and evaluate relevant possible commissioning options of delivering services taking into account the resources available. Failure to build or shape capacity in 'market' and cooperative working e.g. partnerships to enable effective service options not in place to help achieve commissioning priorities and outcomes Inadequate options appraisal process Lack of resource or expertise Lack of Provider/Supplier capacity due to the impact of external factors.	Commissioning priorities and objectives are not achieved so community needs not being met. Ineffective use of limited resources.	City Plan. Service Plans. Strategic Risk Register	4	2	8	Options appraisal undertaken on service design following assessment of customer needs. Appropriate procedure followed to commission the preferred option, e.g. procurement, service re-design.	All Assistant Directors/Directors	Cabinet reports Internal Audit	4	1	4					X		X
R05		Commissioning assessment process is not undertaken on a timely or regular basis.	Inadequate resources. Insufficient forward planning for contracted services.	Changes in needs of community are not identified promptly. Inappropriate use of limited resources. Community's real needs are not met. Existing arrangements/contracts extended where it may not be the optimal solution	Service Plans.	4	2	8	Review of performance to ensure service delivery model is delivering outcomes. Commissioning Cycle to include planned review date either linked to outcome or contract timescales.	All Assistant Directors/Directors	Internal Audit	3	1	3					X		
R06	Service Delivery Arrangements	Service Plans do not include actions to achieve the City Plan priorities	Service plans are not driven by the City Plan	Fail to meet the needs of the City	Service Planning Process aligned to City Plan. Performance Management Framework.	4	2	8	Service Planning process is driven by the City Plan. Service Planning Process is communicated to all Assistant Directors.	All Assistant Directors/Directors	Internal Audit Corporate Performance Management	3	2	6	Service Delivery Arrangements		Performance		X	X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance
R07		The level of services delivered by the council does not meet customer needs and/or expectations.	Lack of understanding of the priorities Lack of financial resources to invest in changing arrangements Lack of benchmarking to identify service development opportunities Lack of management time to consider delivery improvements Capability issues Lack of capacity due to increased demand as a result of external factors	Required outcomes for customers not achieved. Reputational damage. Wasted resources.	Service Planning Process. Performance management arrangements. Transformation Programme. Strategic Risk Profile	4	3	12	Performance in relation to the delivery of outcomes is regularly monitored.	All Assistant Directors/Directors	Corporate Performance Management Internal Audit Governance questionnaire	4	1	4		X		X	X	
R08		Performance targets are not set or do not clearly identify the acceptable levels of service delivery performance.	Lack of understanding of how to measure acceptable performance.	Unable to understand if performance levels are acceptable.	Corporate performance management process.	3	2	6	Targets should be set for all performance measures (where appropriate to do so) to clarify acceptable levels of performance.	All Assistant Directors/Directors	Governance questionnaire Corporate Performance management Internal Audit	3	1	3		X	Performance	X	X	
R09		Management fail to take prompt effective action in response to unacceptable performance results reported or fails to follow up to ensure remedial action is effective.	Lack of time to consider performance. Performance information not accurate, timely or understood. Management not held to account for performance. Lack of resource or control to make necessary changes.	No or delay in action taken to improve service which may have major impact on customers. Poor reputation for Council.	Corporate Performance management. Performance Clinics.	3	2	6	Management review performance on a regular basis and take appropriate action to rectify unacceptable performance.	All Assistant Directors/Directors	Corporate Performance management arrangements Internal Audit Governance questionnaire	3	1	3		X	Performance		X	
R10		Services fail to monitor their financial resources to ensure effective delivery of planned services.	Lack of time spent on budget monitoring. Lack of understanding of the service's financial position. Lack of complete or timely financial information.	Services not effectively delivered due to lack of resources.	Budget managers guidance. Financial Resources support.	4	1	4	Managers continue to engage with Finance to understand the financial performance of their services areas	All Assistant Directors/Directors	Financial Resources Internal Audit Governance questionnaire	4	1	4			Performance			
R11		Services do not meet the needs of the City as key risks are not identified or appropriately managed.	Potential barriers to the delivery of services are not identified or assessed.	Services not effectively delivered. Waste of resources.	Service Planning process.	3	3	9	Services should continue to identify risks to service delivery during the service planning process and consider appropriate mitigating actions.	All Assistant Directors/Directors	Risk and Assurance Internal Audit Governance questionnaire	3	1	3			Performance			
R12	Partnership / Integrated Working	Objectives and priorities of Council and other partner(s) conflict/are not aligned to deliver the priorities of the City.	Reducing resources forces partners to concentrate on their own priorities at the expense of partnership priorities. Lack of communication of plans between partners. Lack of partnership performance monitoring. Increased demand on limited resources due to the impact of external factors	Unable to achieve City priorities and support communities.	City Plan. Partnership Boards. Partnership Framework.	4	2	8	Continue engagement with partners regarding activity being undertaken to contribute to the delivery of the City Plan	All Assistant Directors/Directors	Internal Audit	4	1	4	Partnership / Integrated Working				X	
R13		Lack of understanding by each partner as to objectives, and nature of partnership (e.g. responsibilities, if applicable, sharing of profits, costs or losses, dispute resolution, governance, decision making, planning, risk sharing).	Lack of formal comprehensive written partnership agreement.	Delay in delivery of plans and outcomes for community. Lack of delivery of priorities.	Partnership Framework.	4	2	8	All Assistant Directors should be reminded of the requirements of the partnership Code of Practice. Partnership agreement in place with each partner setting out the expectations of each party and the required reporting arrangements.	All Assistant Directors/Directors	Governance questionnaire Internal Audit	4	1	4		X			X	
R14	Procurement	The product or service procured does not deliver the intended outcomes.	Poor specification. Lack of understanding of what is needed by commissioner. Poor communication between commissioner and procurement. Limited capacity of providers/suppliers due to external factors. Inadequate evaluation process	Fail to obtain value for money. Objectives/outcomes are not achieved. Most appropriate commissioning options are not obtained.	Procurement Procedure Rules.	3	1	3	The Council's procurement procedures continue to be followed and good procurement practice is undertaken	All Assistant Directors/Directors	Internal Audit Risk and Assurance	3	1	3	Procurement			X	X	
R15		Procurement breaches legal and Council requirements.	Lack of procurement procedure rules and training. Lack of knowledge of legal/Council requirements. Failure to adhere to requirements (deliberate, e.g. corruption or accidental).	Legal/financial penalties. Challenge, delays in award of contracts. Loss of reputation.	Procurement Procedure Rules in place. Procurement have skilled staff. Corporate Procurement support council officers.	2	1	2	Communication with COG / Assistant Directors regarding failure to comply with Procurement Procedure Rules. Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process.	Assistant Director of Assurance and Property Services All Assistant Directors/Directors	Internal Audit	2	1	2				X	X	
R16		Value for money not obtained.	Lack of competition. Corruption. Inappropriate specification. Poor procurement planning.	Poor quality of goods/services and customer service. Pay higher prices - waste of scarce resources.	Procurement Procedure Rules in place. Procurement have skilled staff. Corporate Procurement support council officers.	3	2	6	Commissioners engage with Corporate procurement in enough time to undertake an appropriate and legal procurement process.	All Assistant Directors/Directors	Internal Audit	3	1	3					X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance
R17	Relationship / Contract Management	Contracts do not deliver the required objectives/outcomes.	Lack of clear contract/specification provisions in place to allow effective management of the contract. Lack of appreciation of importance of contract management during the procurement process. Lack of clarity of clear measures and standards required by commissioner in specification to allow for contract management post award. Lack of contract management activity following contract award	Fail to obtain value for money, i.e. pay too much or poor service obtained. Objectives are not achieved. Excessive resources used on dispute resolution.	Contract management framework. Corporate Procurement support to officers.	4	2	8	Contract management arrangements should be in place for all key contracts entered into by the Council.	All Assistant Directors/Directors	Governance questionnaire Internal Audit	4	1	4	Relationship / Contract Management	X	Performance	X	X	
R18	Legality	Council fails to act within its statutory powers.	Lack of Constitution, Procedure rules and / or delegation scheme etc. Constitution, procedure rules, delegation scheme are not communicated or understood by officers. Decision makers have lack of access to legal expertise. Lack of awareness of officers as to their legal responsibilities. Changes in law are not recognised and implemented.	Council's actions are found to be ultra vires. Financial penalties. Legal challenge. Loss of reputation. Delay in delivery of outcomes.	Constitution and Procedure Rules.	3	1	3	Ongoing review of key decisions by Law and Governance. Officers continue to be aware of changes in legislation that impact on their services.	Assistant Director of Law and Governance All Assistant Directors/Directors	Law and Governance Governance questionnaire Internal Audit	3	1	3	Legality	X	Law and Governance	X	X	
R19	Risk Management	Failure to identify and manage the major risks and opportunities to delivering priorities and plans.	Risk Management process is not aligned with delivering priorities. Senior Management/Members do not monitor the management of key risks to the Council. Risk appetite of the Council is not identified and communicated.	Priorities are not achieved. Loss of reputation. Potential financial penalties.	Risk Management Policy and Strategy. Integrated Assurance Framework. Strategic Risk Profile	3	2	6	The Council's strategic and corporate risks are identified, assessed and managed through COG and the Audit and Governance Committee. Risk Management Policy and Strategy to be reviewed.	Assistant Director of Assurance and Property Services	Risk and Assurance Team Audit and Governance Committee Governance questionnaire	3	1	3	Risk Management	X		X	X	
R20	Corporate Performance Management	Performance reporting fails to give a full and accurate picture of the progress in achieving strategic priorities and outcomes.	Performance reporting does not address all priority issues. Performance indicators are inappropriate. Performance targets not set to aid evaluation of performance. Performance data reported is inaccurate, out of date, difficult to understand or incomplete. Performance reporting not timely.	Reporting does not identify if achievement of all priorities are on track or if interventions are required. Appropriate remedial actions are delayed.	Performance Management Framework.	3	1	3	Management review performance on a regular basis and take appropriate action to rectify unacceptable performance.	Director of Corporate Affairs	Corporate performance management Internal Audit	3	1	3	Performance Reporting		Performance		X	
R21	Financial Management	Strategic financial plans do not align to Council priorities, objectives and direction as set out in the City Plan.	Corporate and financial planning processes are not coordinated to allow plans to be aligned. Financial planning process does not involve consultation with key decision makers in Council both councillors and officers.	Plans made which are not adequately resourced. Failure to achieve plans and outcomes for community. Council financial resources overstretched.	MTFS Budget consultation process	4	1	4	The strategic financial plan should be aligned with the priorities in the City Plan.	Director of Finance	Financial Resources	4	1	4	Financial Management					
R22		Strategic financial plans are at risk due to all critical factors likely to affect the Council's finances moving forward, e.g. changes to funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc.	Poor intelligence gathering or horizon scanning. Lack of resources. Lack of consultation/communication with senior officers. Lack of clarity of the financial support from Government.	Decisions made with inaccurate information. Plans made which are not adequately resourced. Failure to achieve plans and outcomes for community. Council financial resources overstretched.	Strategic financial planning process. Strategic Risk Register.	4	3	12	Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position.	Director of Finance	Financial Resources External Audit	3	1	3						
R23		Financial reporting fails to reflect on how financial changes in one area impacts on other areas of the council.	Financial savings in one area may have a more than proportionate increase in other service areas	Savings plans are not achieved in practice.	Financial Reporting Procedures.	3	1	3	The Council's financial position is regularly reported to COG and Members.	Director of Finance	Financial Resources	3	1	3			Financial Resources		X	
R24		The Council does not take all opportunities to pursue external funding when available.	Lack of awareness of funding streams available. Lack of planning regarding priorities to be able to react to available funding.	The Council fails to deliver its priorities in an efficient way. Some priorities may not be delivered.	External Funding Team. Strategic funding group.	3	1	3	Ensure that horizon scanning considers changes in future sources of funding.	Director of Finance	Internal audit	3	1	3			Financial Resources			
R25		The Council does not maximise the use of external funding that has been allocated.	Lack of planning. Lack of awareness of the terms and conditions of the funding. Delays in project completion	Loss of grant income. Some priorities may not be delivered.	Financial monitoring. Project management standards.	3	2	6	The Council monitors the use of all grant monies to ensure there is no loss.	Director of Finance	Internal Audit	3	1	3			Financial Resources			

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance	
R26		Financial reporting fails to give a full and accurate picture of the progress to achieving corporate financial priorities and targets.	Financial reporting does not address all priority issues Financial performance measures are inappropriate Financial targets not set to aid evaluation of performance Financial performance data reported is inaccurate, out of date, difficult to understand or incomplete Financial performance reporting not timely	Financial reporting does not identify if achievement of all priorities are on track or if interventions are required. Appropriate remedial actions are delayed.	Corporate Performance Reporting.	3	1	3	Financial performance reporting is aligned to performance reporting to identify any potential inaccuracies or inconsistencies.	Director of Finance	Financial Resources Corporate Performance Management	3	1	3			Financial Resources		X		
R27		The Council fails to pay its employees (and those of other clients) accurately and on time.	Lack of resources to process the changes to the payroll Lack of a clear timetable for the submission of information Lack or payroll staff with the required training	Delay in making salary payments. Claims from employees for costs incurred for late payment of bills. Loss of reputation as a payroll provider.	Policies and procedures in place for operating the payroll system. Employee self service.	3	1	3	Controls in place to ensure that the payroll runs are complete and accurate and operate efficiently.	Director of Smart Cities and Enabling Services	Internal Audit	3	1	3					X	X	
R28		The Council fails to make payments to its suppliers and clients accurately and on time.	Lack of resources to process the required payments. Lack of appropriate checks on payments before processing. Lack of controls in place to ensure payments are processed per the required timescales.	Loss of reputation with suppliers. Claims for interest for late payments.	Procedures in place within the Purchase to Pay system	3	1	3	Procedures required for making payments accurately and on time are up to date and fully understood by staff within the payments service	Director of Finance/Director of Smart Cities and Enabling Services	Internal Audit	3	1	3					X	X	
R29		The Council fails to process payments for benefits accurately or on time.	Poor assessment procedures. Lack of timetable for assessing claims. Delay in the processing of claims.	Customers do not receive the correct amount of benefit resulting in financial hardship. Customers receive their payments late causing unnecessary debt.	Assessment procedures and performance indicators in place.	4	1	4	Established procedures are in place and followed by adequately trained staff for the assessment and processing of benefit claims.	Director of Finance	Internal Audit	4	1	4					X	X	
R30	Income Collection (including CT/NNDR)	Council fails to bill and or promptly collect the income that is due to its.	Lack of resources. Inadequate procedures for raising accurate bills. Inappropriate methods to allow customers to pay bills. Over generous credit terms. Economic conditions increase the number of bad debtors. Procedures fail to identify non payments. Ineffective enforcement of credit control arrangements.	Financial loss. Unable to balance the budget.	Financial procedure rules. Performance indicators in place.	3	1	3	Regular monitoring that the income received is in line with that expected as per the Council's budget.	Director of Finance	Financial Resources Internal Audit	3	1	3	Income Collection (including CT/NNDR)					X	X
R31		Prosperity within the City fails to grow resulting in the expected level of income being uncollectable.	Number of businesses in the City reduces or does not grow. Increased number of families suffering financial hardship. Debts increase and become harder to recover. External factors have resulted in a worsening financial and domestic situation of many residents.	Financial loss. Negative impact on cashflow. Inability to achieve financial targets.	City Plan. Strategic financial planning.	3	4	12	Clear performance measures and regular monitoring of the debtor position highlight potential loss of income.	Director of Finance	Financial Resources Internal Audit	3	2	6							
R32	Capital Programme Management	Capital projects do not support the delivery of strategic priorities and desired outcomes.	Capital projects are based on available funding and not linked to priorities. Inadequate business cases for projects.	Priorities are not delivered. City does not have the required infrastructure. Poor integration of city developments.	Capital Programme Board	3	1	3	The Capital Programme is directly aligned to the City Plan and strategic priorities.	Director of Finance	Financial Resources Internal Audit	3	1	3	Capital Programme Management		Financial Resources	X	X		
R33		The intended benefits of capital projects are not identified and/or realised.	Lack of awareness of funding conditions Poor planning Poor monitoring of projects Lack of monitoring of the realisation of benefits after the completion of the projects	Loss of funding. Council resources used to fill funding gaps. Other planned projects postponed. Lack of delivery of the Council priorities.	Capital Programme Board	3	3	9	Corporate approach to planning and monitoring of the delivery of the benefits of each project and the wider Capital Programme.	All Assistant Directors/Directors	Financial Resources Internal Audit	3	2	6				X	X		
R34	People Management	The council does not have the required skills and capacity to deliver the City's priorities.	Shrinking workforce leading to a reduction in capacity and skills. Rapid loss of key/senior officers and associated expertise. Lack of effective workforce planning to ensure Council has workforce to meet the needs of Council going forward. Insufficient resources to maintain effective HR management resource and arrangements. Insufficient training and development. Staff absence due to sickness.	Lack of or delay or increased costs in delivering priorities.	Corporate Performance Management.	3	3	9	Workforce planning strategy in place that is appropriately monitored to ensure its is effectively implemented. People Management Improvement Programme in place	Director of Smart Cities and Enabling Services	People Management Internal Audit Governance questionnaire	3	2	6	HR Management	X	Health and Safety	X	X		
R35		Reduction in productivity and morale of workforce.	Increasing workloads. Instability due to ongoing changes. Job insecurity. Increased demand / pressures due to external factors.	High absence/sickness rates. Stress related absence. Lower standards of service delivery. Increased costs. Increased homeworking has had a positive impact of staff morale.	Corporate Performance management.	4	2	8	Recognition of reduced capacity. Employees feeling valued and supported.	All Assistant Directors/Directors	People Management Internal Audit	4	2	8			People Management				

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance	
R36	Health and Safety	Council officers do not fully understand H&S roles and responsibilities.	Roles and responsibilities not clearly documented and/or communicated effectively. Loss of knowledge from organisational change and staff churn. Ineffective training and awareness programme. Lack of easy access to relevant documents on the Hub.	Lack of ownership and accountability for H&S. Inconsistent approach to the management of H&S issues across directorates, divisions and teams. Reduced compliance with quality standards and best practice. Inability to adequately prevent incidents occurring. Inadequate documentation and controls leading to injury and death.	Corporate Health and Safety Team and Audit programme. Corporate Health and Safety Statement of Intent. Agreed H&S Policy /Strategy. Improved access to documents on the Hub and sharepoint site.	3	2	6	Continue to work with Senior officers and report progress to COG	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3	Health and Safety		Health and Safety	X	X		
R37		The council's key H&S risks are not identified, understood or agreed.	Lack of effective coordinated corporate approach to the identification of H&S risks. Lack of awareness or prioritisation of H&S across Chief officers, managers and operational colleagues. Lack of clear responsibilities of premises managers, landlords and leaseholders.	Key H&S risks not effectively managed leading to injury or death of the public, staff, suppliers or partners. H&S legal duties not fulfilled and/or demonstrated. Reduced oversight and accountability at strategic and operational levels across the council leading to uninformed decision making. None compliance with quality standards. Litigation and adverse PR.	Corporate Health and Safety Team. Risk assessment process. Dashboards provided to Assistant Directors and escalation process in place. Training packages on learn system. Majority of senior officers have received training. Reports to COG result in improved performance.	3	2	6	Continue to monitor Health and Safety Risks through the assurance framework and work with relevant colleagues to manage the risks in place.	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety			X	
R38		Appropriate action plans are not developed and agreed to manage the council's key H&S risks.	Lack of joined up corporate approach to the management of H&S risks. Lack of effective process to develop clear and robust action plans to establish relevant controls and officer ownership.	Effective controls not established and/or operated appropriately. Inconsistent and disjointed approach across the council to the management of shared risks leading to confusion and mismanagement of control systems.	Corporate Health and Safety Team. Health and Safety Audits. Implementation of actions recorded in IA Auditor system. Risk assessments developed for tasks and council buildings. Introduction of the H&S Management System.	3	2	6	Continue to oversee the management of Health and Safety risks through the Executive Group and annual reporting to COG.	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety			X	
R39		Strategic approach to incident management does not adequately inform decision making.	Lack of understanding of responsibilities and accountability for incident response. Non-compliance with incident reporting arrangements. Ineffective trend analysis and learning lessons from incidents. Availability of quality data/information to inform effective reporting to COG.	Ineffective decision making. Implementation of inappropriate controls. Existing controls not reviewed and revised in response to learning from incidents becoming out-of-date and ineffective. Avoidable repetition of incidents.	Corporate Health and Safety Team. Annual Health and Safety Report. Regular Executive Health and Safety meetings where detailed information is presented and discussed. Specific Training provided regarding how to manage a Health and Safety Incident. Monthly reporting to Senior Managers resulting in trends reducing.	3	1	3	Continue to monitor compliance with incident reporting arrangements and address any areas for development.	Assistant Director of Assurance and Property Services	Internal Audit Governance questionnaire	3	1	3			Health and Safety			X	
R40	ICT Infrastructure	The ICT infrastructure is not fit for purpose (i.e. does not meet the needs of Council, not reliable, too expensive).	Reducing resources impacts upon the ability to maintain a stable infrastructure. Lack of funds to maintain/upgrade infrastructure. Increased reliance/demand on ICT due to move to hybrid working.	Disruption to service provision impacting on delivery of priorities. Waste of financial resources due to excessive cost. Less efficient and effective service delivery. Loss of productivity.	ICT development plan. Wide roll out of laptops, Windows 10 and Microsoft Teams to aid hybrid working.	4	1	4	The ICT strategy is clearly aligned to the priorities of the Council and the direction of travel for the provision of Council Services.	Director Smart Cities and Enabling Services	ICT Internal Audit	4	1	4	ICT Infrastructure	X	ICT	X	X		
R41		ICT infrastructure is not resilient to 'disasters'.	Lack of planning for disasters (prevent or respond to). No adequate business continuity/disaster recovery ICT infrastructure in place. Lack of business continuity/disaster recovery plan which has been tested. Key employees not briefed as to their disaster recovery responsibilities. Lack of 24/7 ICT support in the event of an incident.	Disruption to service provision impacting on delivery of priorities. Loss of productivity. Waste of financial resources due to excessive cost. Less efficient and effective service delivery. Loss of productivity.	Business continuity arrangements (ICT and in services).	4	2	8	Disaster recovery plans clearly linked to the provision of critical services, regularly tested and the recovery timescales reflected in the business continuity plans for critical services.	Director Smart Cities and Enabling Services All Assistant Directors/Directors	ICT Internal Audit Business continuity officer	4	1	4			X	ICT	X	X	

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Risk			Mitigating Actions	Owner	Source of Assurance	Risk			Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance
						Impact	Likelihood	Rating				Impact	Likelihood	Rating						
R42	Cyber Security	The Council is exposed to vulnerabilities and threats, both internal and external, (e.g. hacking, phishing, denial of service attack) resulting in a loss of systems and/or confidential information.	Lack of appreciation by management of threat/risks of cybercrime to Council's operations. Low priority given to cybersecurity. Lack of cybercrime prevention culture created (lack of cybersecurity policies and procedures (prevention and response), lack of ongoing employee training/awareness). Lack of monitoring of alerts/warnings, e.g. no Security and Incident and Event Management (SIEM) solution in place. Lack of investment in existing infrastructure increases level of vulnerability penetration testing vulnerability test results not actioned in suitable time scales. Lack of resources. Lack of understanding of what valuable data the Council holds. Increased cyber activity during Covid 19 outbreak.	Loss of public trust, customer confidence, finance and reputational damage. Fines / compensation. Loss of systems or data loss. Major business disruption.	Strategic Information Governance Group. Operational Information Governance Group. ISO 27001. Cyber security arrangements	4	2	8	A Cyber security Strategy is in place, including and threat assessment, development plan and response plan.	Director Smart Cities and Enabling Services	ICT Internal Audit	4	2	8	Cyber Security		ICT	X	X	
R43	Information Governance / Security	Council's data is not accurately protected.	Lack of awareness of the importance of protecting the Council's data. Lack of compliance with data security arrangements. The Council is not aware of the data its holds or ensures that its is complete and accurate. Protection arrangements do not prevent unauthorised access and use of data. Increased remote working brings increased risk to data held in homes.	Loss of public trust and reputational damage. Fines / compensation. Claims from those who have been adversely effected.	Strategic Information Governance Group. Operational Information Governance Group. ISO 27001. Cyber security arrangements	3	2	6	Council has appropriate information governance and security arrangements in place which are complied with throughout the organisation.	Assistant Director of Assurance and Property Services All Assistant Directors/Directors	Data Protection Office Governance questionnaire Internal Audit	3	1	3	Information Governance / Security	X	DPO	X	X	
R44	Business Continuity Management	The Council's business critical services cannot function in the event of an incident.	Business Continuity Plans not up to date, reviewed or revised to reflect organisational, procedural and staff changes. Business continuity plans are not tested appropriately. A number of incidents impact at the same time e.g. Covid 19, Brexit, winter flu, adverse winter weather	Services are unable to respond in adverse conditions.	Corporate Business Continuity Group. Business Continuity plans. Response to the first wave of Covid 19 was successful with no failures to deliver critical services.	3	2	6	Business continuity plans are reviewed and tested on a regular basis and take into account the cumulative effects of concurring incidents.	Assistant Director of Assurance and Property Services All Assistant Directors/Directors	Business Continuity Officer Internal Audit Governance questionnaire	4	1	4	Business Continuity Management	X	Business Continuity	X		
R45		Lack of awareness of content of business continuity plans.	Lack of effective communication strategy. Lack of testing.	Services are unable or slow to respond appropriately to disasters when occur affecting services to community, safety of individuals. Loss of reputation.	Corporate Business Continuity Group. Business Continuity plans. Successful response to Covid 19 outbreak.	4	1	4	Relevant staff are made aware of the content of the business continuity plans and understand their role in implementing them.	All Assistant Directors/Directors	Business Continuity Officer Internal Audit Governance questionnaire	4	1	4		X	Business Continuity	X		
R46	Programme / Project Management	Programmes and projects fail to deliver the desired benefits and outcomes.	Lack of agreed Project Management Standards. Lack of Project Plans and Governance. Lack of monitoring of achievement.	Fail to obtain value for money. Programme and Project objectives are not achieved.	Corporate Project /Programme management arrangements.	3	3	9	The expected benefits of programmes and projects are clearly set out at the start and their achievement monitored throughout.	All Project Sponsors	Project Office Risk and Assurance Internal Audit Governance questionnaire	3	1	3	Programme / Project Management	X	Programmes and Projects	X	X	X
R47	Asset Management	Opportunities are not taken to maximise the use of assets (land and property). Assets are not fully utilised.	Council does not "sweat" its assets to obtain the maximum returns. Fail to maintain property. Changes in size and direction of Council and services its provides. Lack of asset management planning. Changes in how services delivered. Changes in technology. Assets become uneconomic to run. Lack of investment in asset management planning. Council unaware of assets its owns.	Fail to increase council income. Fail to decrease costs.	Asset Management Plan.	3	2	6	The use of Council assets are monitored on an ongoing basis, particularly in response to changing staffing levels and changing service delivery models.	Assistant Director of Assurance and Property Services	Internal Audit	3	2	6	Asset Management			X	X	
R48		The Council does not fulfil its statutory duties in relation to its property portfolio.	Lack of resources. Lack of planning. Lack of monitoring or conditions of assets. Lack of knowledge of changes to the property portfolio.	Members of the public or staff are at risk of being harmed. Legal action taken against the Council. Reputational Damage.	Asset Management Plan. Techforge System	4	2	8	The Council's Asset Management System is updated / maintained accurately on an ongoing basis. Condition of assets are monitored on an appropriate basis and maintenance scheduled as required.	Assistant Director of Assurance and Property Services	Health and Safety Internal Audit	4	1	4						

ID	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact Likelihood	Rating	Overall Assurance	Management Assurance	Specialist Functions	Risk and Assurance	Internal Audit	External Assurance
R49	Anti Fraud and Corruption	Council fails to prevent, detect and investigate acts of fraud and corruption.	Relaxation of controls due to a reduction of resources. Lack of anti fraud culture. Lack of anti fraud and corruption procedures embedded into processes.	Financial loss potentially resulting in a reduced service offering to the customer.	Anti fraud and corruption policy and procedures.	2	2	4 Managers are aware of the fraud risks within their area and maintained appropriate controls bearing in mind changes to service delivery and staffing levels.	All Assistant Directors/Directors	Governance questionnaire Internal Audit	2	2	4 Anti Fraud and Corruption	X			X	

Strategic Risk Profile

Key Risk Area	2019/20 Audits / Opinions		2021/22 Audits / Opinions		2022/23 Audits / Opinions		2023/24 Audits / Opinions		Overall Opinion
More and better jobs									
More and better housing					Housing Regulatory Framework/HRA	S			
More local people with better qualifications and skills to enable them to participate in and benefit from a stronger economy									
A stronger City Centre with more businesses, housing and cultural opportunities									
A lower carbon City with greater digital connectivity for all			Programme Governance Arrangements - Smarter Cities		Programme Governance Arrangements - Smarter Cities	S			
					Carbon Reduction Plan	S			
Access to the same opportunities and life chances			Taxi Licensing	M					
More people living healthier longer lives			Public Health Grant	S	Health Protection Board	S			
					Homelessness	M			
People enjoying independent lives			Adults Safeguarding - MASH	M	Adult Social Care Recovery Arrangements	S	Adult Social Care - Assessment and Support Arrangements	S	
			Financial Safeguarding - CPAT	S	Use of Assistive Technologies	M			
Cleaner and more attractive City and neighbourhoods	Environmental Services	M							
A City with great transport and travel links									
More creative and cultural businesses									
More residents participating in their communities									
More visitors visiting Sunderland and More residents participating in cultural events			Collections Management	M					
More people feel safe in their neighbourhoods and homes									
More resilient people									
Finance							From audits below		
Partnership Working	Partnership Arrangements				Partnership Arrangements	M			

Corporate Risk Profile

Key Risk Area	2019/20 Audits / Opinions		2021/22 Audits / Opinions		2022/23 Audits/Opinions				Overall Opinion
Strategic Planning					Partnership Arrangements	M			
Commissioning					Performance Monitoring within Public Health	S			
Service Delivery Arrangements	Licencing		Financial Safeguarding/CPAT Communications	S	Delivery of Council Restructure	S	Adult Social Care - Assessment and Support Arrangements	S	

	Development Control				Planning and Development Control	S	Protection of Vulnerable Adults Property	
	Environmental Services	M			Delivery of Port Business Plan		Delivery of Port Business Plan	
	Delivery of Council Restructure	S			Highways Work Programme	S		
	Liquid Logic - Adults	S						
Partnership /Integrated Working	Partnership Arrangements				Partnership Arrangements	M		
Procurement	Revenue Procurement	S	Procurement Strategy	S	Revenue Procurement		Revenue Procurement	S
	Capital Procurement	M	Purchasing Cards	M				
			Charging methodology - Highways	S				
			Use of agency framework	M				
Relationship/Contract Monitoring	Contract Monitoring SCAS	M					Contract Management Street Lighting PFI	
	Contract Monitoring - Siglion	S					Contract Management Sandhill Centre PFI	
							Housing Repairs and Maintenance SLA	
	Contract Monitoring - Sunderland Homes						Contract Management - Key Contracts	
Legality			Compliance with Operating Licence	M	Planning and Development Control	S	Protection of Vulnerable Adults Property	
					Compliance with the Operating Licence	M	Regulatory Services Compliance	
					Delivery of Environmental Services Action Plan	S		
					Compliance with the Operating Licence, Non Environmental Services	L		
Risk Management					External Funding	S		
					Highways Work Programme	S		
Corporate Performance Management	Performance Monitoring - City plan		Performance Monitoring - City Plan	S	Performance Management within Housing	S		
	Delivery of PEER Review Action Plan	S			Performance Management within Public Health	S		
Financial Management			BACS	S	Local Transport Capital Settlement - Highways Maintenance Needs	S	Local Transport Capital Settlement - Highways Maintenance Needs	S
			Budget Management	S	Local Transport Capital Settlement - Integrated Transport	S	Local Transport Capital Settlement - Integrated Transport	S
			Payroll	M	Local Transport Capital Settlement - Incentive Element	S	Local Transport Capital Settlement - Incentive Element	S
			Accounts Payable	S	Nexus	S	Nexus	S
			Local Transport Capital Settlement - Capital Maintenance	S	Pothole Action Fund	S	Pothole Action Fund	S
			Local Transport Integrated Transport	S	Sunderland A1290 Safety Improvement Scheme Phase 2	S	Holmeside Bus Rationalisation	
			Nexus	S	Disabled Facilities Grants	S	Disabled Facilities Grant	S
		S	Pothole Action Fund	S	Public Sector Decarbonisation	S	Installing Changing Places and Toilet Facilities	S
Treasury Management		S	Sunderland A1290 Safety Improvement Scheme Phase 1	S	Sustainable Mobility Hub		Sustainable Mobility Hub	
BACS		S	Disabled Facilities Grant	S	Riverside Sunderland Strategic Infrastructure Works		Riverside Sunderland Strategic Infrastructure Works	
Payroll			Disabled Facilities Grant - Additional Monies	S	Hillthorn Business Park Power Supply		Hillthorn Business Park Power Supply	S
Accounts Payable		M	Cycleways	S	Green Homes Grant LA Decarbonisation	S	Strategic Cycle Network	
EFA Funding		S	Vaux Phase 1		Vaux LGF		Sunderland Railway Station	
Local Transport Capital Settlement - Capital Maintenance		S	SSTC3 Design and Development		SSTC 3 Design and Development	S	Smarter Cities	
Local Transport Capital Settlement - Integrated Transport (Combined Authority)		S	Travel Demand Management	S	External Funding	S	Holmeside MSCP	
Nexus (Combined Authority)		S	Travel Demand Management - Top Up Monies	S	BACS	S	Family Hubs and Start for Life 31/6341	S

Pothole Action Fund	S	Home to School/College Transport - Second Half of Spring Term	S	Payroll		Family Hubs and Start for Life 31/6340	S
Local Transport Capital Settlement - Incentive Element	S	Home to School/College Transport - Summer Term	S	Accounts Payable		Family Hubs and Start for Life 31/6317	S
Better Care Fund - DFG	S	Home to School/College Transport - 2020/21 Academic Year	S	Benefits Overpayment and Recovery	S	Family Hubs and Start for Life 31/6536	S
Vaux Phase 1				The provision of project promotion and prevention of Better Mental Health Grant Funding	S	Family Hubs and Start for Life 31/6535	S
Northern Gateway	S			Additional Drug Treatment Crime and Harm Reduction Universal Component Grant Funding	S	Family Hubs and Start for Life 31/6545	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5309	S	Vaux LGF	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5435	S	IAMP	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5668	S	Holiday Activity Fund	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/5704	S	Multiply Grant	S
Local Transport Capital - Highway Maintenance	S			Test and Trace Support Payment Scheme Funding Grant Determination 31/5385	S	Public Health Agreements/Environmental Health	M
Liquid Logic including business processes	S			Test and Trace Support Payment Scheme Funding Grant Determination 31/5789	S	Compliance with Homes England Funding	S
				Test and Trace Support Payment Scheme Funding Grant Determination 31/6187	S	Vulnerable Groups Funding Arrangements	
				Test and Trace Support Payment Scheme Funding Grant Determination 31/6215	S	Payroll	
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5075	S	BACS	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5219	S	Accounts Payable	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5244	S	Turnaround Grant Funding	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5304	S	Safer Roads A1290	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5341	S	Family Hubs and Start for Life 31/6692	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5411	S	Family Hubs and Start for Life 31/6993	S
				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5183	S		

				Test and Trace Contain Outbreak Management Fund Surge Funding 31/5456	S		
	Pothole Action Fund - Additional Monies	S		Test and Trace Contain Outbreak Management Fund Surge Funding 31/5518	S		
				Adult Weight Management Services Grant 31/5440	S		
				Biodiversity Net Gain Grant 31/6499	S		
				LEVI Fund 31/6506	S		
Income Collection (including CR/NNDR)	Cash Receipting, compliance	S	Business Rates Recovery	S	Income Collection	S	Adult Social Care Income Arrangements
	Council Tax Setting and Billing	S	Council Tax Recovery	S	Accounts Receivable		Income Collection S
	Accounts Receivable - Recovery	S	Accounts Receivable Recovery and PI	M	Land Charges	S	Accounts Receivable S
	Council Tax Liability	S	Housing Rent Collection	M			
	Business Rates setting and billing	S	Income Collection	S			
	Business Rates Liability	S					
Capital Programme Management	Project Management Benefits Realisation, including capital funding	M					
HR Management	HR - SAP Optimisation		Recruitment and Selection	S	Human Resource Case Management	L	Human Resource Management
	Port - Effectiveness of Restructure						Compliance with pay and grading model
	Communications re organisational change	S					
Health and Safety				Port Health and Safety	S		
ICT Infrastructure			ICT Disaster Recover / Business Continuity	S			
	ICT Asset management	M					
Cyber Security	Cyber Security	M	Cyber Security	M	Cyber Security	M	Cyber Security
	Mobile Device Management	S			Information Security	S	Information Security
Information Governance/Security	GDPR	M	GDPR	M	GDPR	S	Compliance with Caldicott Requirements
					Information Security	S	Information Security
					Archived Records Management	M	
Business Continuity Management	Update of Directorate plans re new structures	M	Corporate Business Continuity Arrangements	S	Use of Assistive Technologies	M	Resilience to Port Service Business Commitments
					Resilience of Port Management Structure		
Programme/Project Management	Project Management Benefits Realisation, including capital funding	M	Programme Governance Arrangements - Smarter Cities		Programme Governance Arrangements - Smarter Cities	S	Regeneration Programme Management Arrangements
Asset Management			Housing Asset Management	M	Corporate Asset Management Strategy and Compliance		Corporate Asset Management Strategy S
			Collections Management	M			
Anti Fraud and Corruption	Payroll compliance Testing		BACS	S	BACS	S	Protection of Vulnerable Adults Property
	BACS compliance testing	S	Purchasing Cards	M	Income Collection	S	BACS S
	Cash Receipting	S	Income Collection	S	Accounts Receivable		Income Collection S
	AR Recovery	S	Accounts Receivable Recovery and PI	M	Accounts Payable		Accounts Receivable S
	ICT Asset Management	M	Accounts Payable	S	Land Charges	S	Accounts Payable S
	Council Tax Setting and Billing	S	Business Rates Recovery	S	Benefits Overpayment and Recovery	S	Payroll
	Council Tax Liability	S	Council Tax Recovery	S	Revenue Procurement		Revenue Procurement S

	Accounts Payable	M	Housing Rent Collection	M	Payroll		Adult Social Care Income Arrangements		
							Vulnerable Groups Funding Arrangements		
Schools	23 schools in the plan. 21 complete to date. 17 Substantial, 4 Moderate	S	20 schools in the plan, 20 complete to date. 18 substantial, 1 Moderate, 1 Limited	S	19 schools in the plan, 19 complete to date. 12 substantial, 5 moderate, 2 limited	S	13 Schools in the plan, 8 complete to date. 7 substantial, 1 moderate	S	
Sunderland Care and Support	Risk and Assurance Framework		Compliance with Financial Procedures in establishments	S	Compliance with Financial Procedures in Establishments	S	Compliance with Financial Procedures in Establishments		
	DPO Checks	S	ICT Security within establishments	S	Business Continuity Arrangements	M	Assistive Technologies		
	Unit Costing		DPO Checks	S	DPO Checks	S	DPO Checks		
	Compliance with financial procedures in establishments	S	Workforce planning, resilience and wellbeing		Workforce planning, resilience and wellbeing		Workforce Planning	S	
	Business Continuity (Telecare)	L			Transport Arrangements	S	Staff Wellbeing		
	Recruitment and DBS Checks	S					Relationship Management		
Together for Children	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Health and Safety Arrangements		
	Schools Financial Support Service	S	Staff Wellbeing		Business Continuity Planning	M	Cyber Security	M	
	Performance Management - Data Quality	S	Next Steps		Holiday and Activity Fund	L	Holiday Activity Fund		
	Purchase cards	M	Nook Lodge - Compliance with Financial Procedures in Establishments	S	Interrupted Educational Pathways		Interrupted Educational Pathways		
	Achievement of cost savings		Procurement of Independent Providers - Residential	M	National Assessment and Accreditation System Grant Claim	S	Strategic Programme Management	S	
	Legal services		Counter Fraud	M	GDPR	S	Claremont House		
	Designated Officer	S	National Assessment and Accreditation System Grant Claim	S	Staff Wellbeing	S			
	Liquid logic	M							
Siglion	Governance Arrangements	M	Financial Management	S	GDPR	L	Risk Management Arrangements		
			Contract/relationship management	M	Risk Management Arrangements		Project Management Arrangements		
			Disposal of property	M	Project Management Arrangements				
			Performance management	S					

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2023/24

Efficiency and Effectiveness

Objectives	KPI's	Targets	Actual Performance
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified for the Council 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	1) All key risk areas covered over a 3 year period 2) 90% 3) 85%	1) On target 2) Ahead of target – 100% 3) Ahead of target – 97%

Quality

Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance 2) To ensure actions agreed by the service are implemented	1) Opinion of External Auditor 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	1) Satisfactory opinion 2) 100% for high and significant 90% for medium risk	1) Achieved 2) Significant – on target – 100% Medium – ahead of target 95% (excluding schools)

Client Satisfaction

Objectives	KPI's	Targets	Actual Performance
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported	1) On target – 1.0 to date (16 returns) 2) No recent surveys undertaken 0 compliments 0 complaints

INTERNAL AUDIT CHARTER

Statutory Role / Objectives and Responsibilities

Internal Audit is an independent, objective assurance function established by the Council under the requirements of the Accounts and Audit Regulations 2015 (amended 2022). The function is designed to add value, improve operations and assist the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The objectives of Internal Audit are to provide assurance to the organisation in relation to their internal control environment and assist management in delivering their objectives through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. To this end it is the responsibility of Internal Audit to provide assurance in relation to: whether operations are being carried out as planned and objectives and goals are being met;

- the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally;
- the completeness, reliability and integrity of information, both financial and operational;
- the extent to which the organisation's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, abuse, ineffective management and poor value for money; and
- the economy, efficiency and effectiveness with which resources are employed.

Internal Audit in meeting the above will have an unrestricted range of coverage of the organisation's operations in order to fulfil its role. Responsibility for the maintenance of a sound system of internal control rests with management. Audit procedures are designed so that any material weaknesses in internal control have a reasonable chance of discovery, but should not be relied upon to identify all system weaknesses that may exist.

Audit Strategy and Operational Planning

Internal Audit will produce an Internal Audit Strategy and annual Operational Internal Audit Plan or a Terms of Reference for each client as appropriate to be agreed by the relevant senior officer. For the Council this will be agreed by the Director of Finance and considered and reviewed by the Audit and Governance Committee. In producing this document the head of internal audit will assess the resource requirements needed to deliver them and will have the freedom to determine the priorities for internal audit in consultation with the relevant senior officer and in line with the relevant regulations for the organisation. In general, but not exclusively, a process of risk assessment will determine the priorities for internal audit.

Professional Standards

Internal audit is required to provide an objective audit service in line with professional auditing standards. The head of internal audit will have direct access to, and freedom to report to senior management. For the Council this includes the Chief Executive, Audit and Governance Committee and Members.

Internal Audit will perform the audit work to the professional standards set out in the Public Sector Internal Audit Standards, including the Code of Ethics. Furthermore, Internal Audit shall have no responsibilities over the operations that it audits beyond the furnishing of recommendations and advice to management on risks and controls. Where internal audit work is undertaken in relation to areas where the head of internal audit has overall management responsibility, the Senior Manager - Assurance has freedom to determine the frequency and scope of audit work and will report the findings independently to the Director of Finance.

Internal Auditors are asked to declare any matters that could impact on their independence on an annual basis as part of the audit planning process.

Reports

For Sunderland City Council the 'Board' is defined as the Audit and Governance Committee and 'senior management' is all Chief Officers. All material findings will be communicated to the relevant manager and once agreed a final report will be sent to the relevant senior manager or Chief Officer and, where appropriate, the Director of Finance in the case of the Council. Management is expected to implement all agreed actions within a reasonable timeframe and each audit will be followed up to assess the extent to which this has happened. In addition, the overall results of audit work will be reported to the appropriate governing body for each client. In the case of the Council this will be quarterly to the Director of Finance and to the Audit and Governance Committee. The reports will contain an opinion on the soundness of the organisation's system of internal controls based

on the work carried out by Internal Audit and assurances gathered from other sources as appropriate.

Access

Internal Audit shall have access to all officers, buildings, information, explanations and documentation required to discharge the audit role.

For the City Council this also includes:

organisations to whom the Council has given grants;
organisations to which the Council awards service contracts; and
partner organisations in any schemes for which the Council has responsibility as Lead or Accountable Body.

Such rights of access shall be written into the appropriate agreements with these organisations.

Fraud, Corruption and Financial Irregularity

Managing the risk of fraud, corruption and financial irregularity is the responsibility of management. However, Internal Audit will be alert in all of its work to risks and exposures that could allow these risks to occur and will undertake specific work, from time to time, in this regard. Audit procedures alone cannot guarantee that all such incidences will be detected.

The head of internal audit is to be notified by managers of all suspected or detected fraud, corruption or financial impropriety. Internal Audit will seek to respond to requests for such investigations and make appropriate recommendations to minimise any risks.

AUDIT AND GOVERNANCE COMMITTEE

2 February 2024

RISK AND ASSURANCE MAP - CONSULTATION FOR 2024/25

Report of the Assistant Director of Assurance and Property Services

1. Purpose of Report

- 1.1 Each year the Audit and Governance Committee is consulted at an early stage on the development of the plans of work for Internal Audit and Risk and Assurance for the forthcoming year to give members the opportunity to raise any issues which they feel should be considered.
- 1.2 The allocation of resources will continue to be flexible throughout the year. Based on knowledge of the work of the Council currently, there are a number of areas that are expected to be a priority for 2024/25. These are as follows:
- On-going audit work in relation to Council owned companies and Schools.
 - Activity to deliver the City Plan, including the management of risks and projects to deliver key priorities.
 - Compliance with Civil Contingencies Act.
 - Premises Management Arrangements.
 - Building Maintenance Statutory Compliance.
 - New Port Fuel Management System.
 - Implementation of Homelessness Strategy Action Plan.
 - Financial Safeguarding Team.
 - Arrangements for the Assessment of Non-paid Carers.
 - National Fraud Initiative and counter fraud work.
 - Key corporate functions/systems, particularly where significant changes / budget reductions are planned or have occurred.

Consultation with the Chief Officers and key senior managers is ongoing and will be considered as part of the finalisation of the plan before presenting to the Committee in April.

- 1.3 A discussion will be held at the Committee to seek its input for the Risk and Assurance Map, and the plans of work for Internal Audit and Risk and Assurance for 2024/25.

2. Recommendation

- 2.1 The Committee is asked to consider and comment on the areas mentioned above and any additional areas which they would like to be considered.

TREASURY MANAGEMENT – THIRD 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 third quarter of 2023/2024.

2. Description of Decision (Recommendations)

- 2.1 The Committee is requested to:

- Note the Treasury Management performance during Quarter 3 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 third 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 3

- 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 2.80%, 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 31st December 2023 was £636.680m 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 31st December 2023, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 5.05% compared with the benchmark SONIA (Sterling Overnight Index Average) rate of 4.88%. 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 third 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.

Appendix A

Detailed Treasury Management Performance – Quarter 3 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 At its meeting on 13th December 2023 the Bank of England's (BoE) Monetary Policy Committee (MPC) voted for the third meeting in a row to leave interest rates at 5.25%, with Governor Bailey commenting there is still some way to go in the fight to control inflation and that it was much too early to be thinking about rate cuts. This reflects their commitment to combat inflationary pressures, even at the risk of hampering growth, to ensure headline CPI inflation drops back to its 2% target.
- 1.4 Annual CPI inflation was 4.0% in the year to December 2023, up from 3.9% in November, and the first time the rate has increased since February 2023. The annual rate of underlying "core" inflation was 5.1% in December 2023, the same rate as in November. The MPC noted a material fall in government bond yields but upside risks to inflation remain given events in the Middle East.
- 1.5 On growth, GDP remained unchanged in Q3 in line with expectations, but weaker than the positive growth that had been recorded during the first half of the year and was expected to remain flat in Q4. The fiscal measures in the Autumn Statement, including the 2p cut in the main rate of employee NI contributions, are provisionally estimated to increase the level of GDP by around 0.25% over the coming years.
- 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 Council's treasury advisors, reviewed their interest rate forecasts in January 2024 to reflect their view that the MPC would be keen to underpin its anti-inflation credentials by keeping the Bank Rate at 5.25% until at least the second quarter of 2024. They believe the MPC won't look to cuts rates until both CPI inflation and wage / employment data are unequivocally supportive of such a move and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

- 1.8 The following table shows the average PWLB rates for Quarters 1 to 3 compared to the SONIA Overnight Rate used to benchmark investment returns.

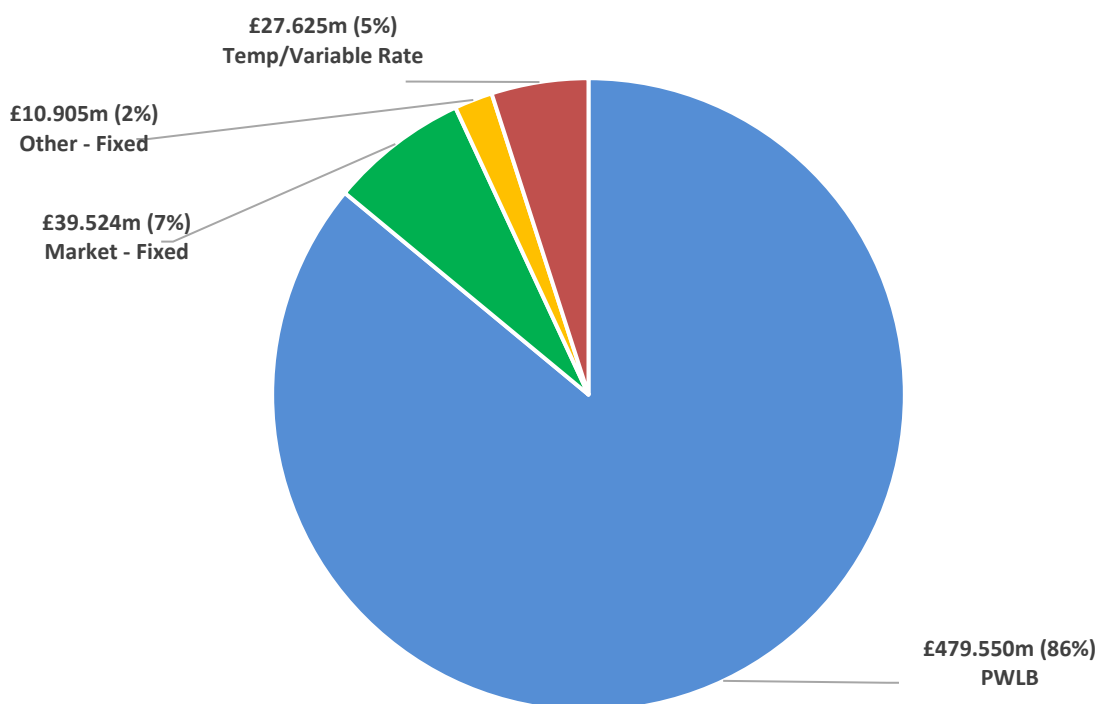
2023/2024	Qtr 1* (Apr-Jun '23) %	Qtr 2* (Jul-Sep '23) %	Qtr 3* (Oct – Dec '23) %
SONIA Overnight Rate	4.37	5.09	5.19
PWLB 1 year	5.32*	5.91*	5.54*
PWLB 5 years	4.87*	5.44*	4.95*
PWLB 10 years	4.78*	5.23*	5.05*
PWLB 25 years	5.09*	5.47*	5.48*
PWLB 50 years	4.82*	5.16*	5.24*
PWLB Current 50 years	at 17.01.24:		5.14*

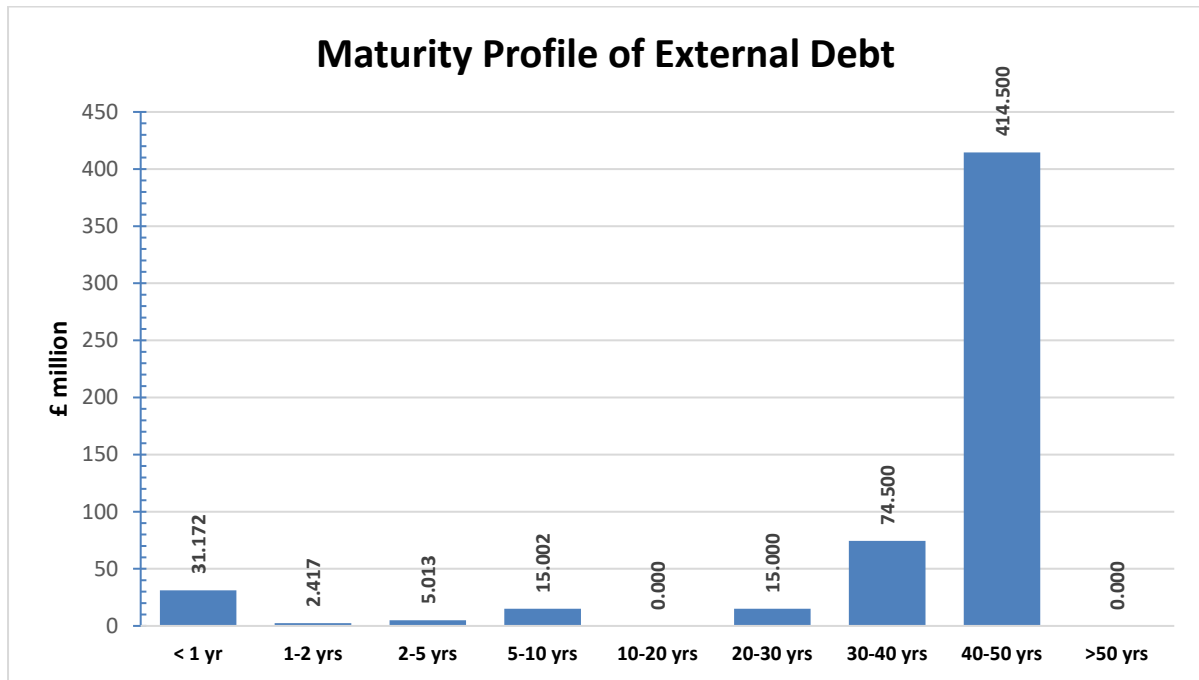
*rates take account of the 0.2% discount to PWLB rates available to eligible authorities.

- 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. The main sensitivities of the forecasts in the UK are felt to be linked to the timing of when the BoE decides to cut the Base Rate. Cut too soon and inflationary pressures could build up further but cut too late and any downturn or recession may be prolonged. The ongoing conflict between Russia and the Ukraine, Gaza and Israel and heightened tensions between China, Taiwan and the United States alongside other geopolitical factors are likely to continue to have a global economic impact. A further concern is that significant issues remain unresolved over future UK / EU trade arrangements following Brexit and complications or lack of co-operation in discussions pose a threat.
- 1.10 PWLB rates are expected to fall gradually from their current levels through to March 2026. Link Asset Services predict PWLB rates standing at 4.50%, 4.70%, 5.20% and 5.00% for 5, 10, 25 and 50-year durations respectively by 31st March 2024 before falling to within the range 3.60%-4.20% 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 31st December 2023 is set out below:

Borrowing Summary at: 31 December 2023

	<u>Principal</u>	<u>Interest</u>	<u>Ave rate</u>
<u>Fixed</u>			%
PWLB	479,550,000	12,473,408	2.60
Market – Fixed	39,523,684	1,740,508	4.40
Other – Fixed	10,904,640	2,606	0.02
	<u>529,978,324</u>	<u>14,216,602</u>	<u>2.68</u>
<u>Variable</u>			
Temporary/Other – Variable	27,625,448	1,370,167	4.96
	<u>27,625,448</u>	<u>1,370,167</u>	<u>4.96</u>
TOTAL:	557,603,771	15,586,769	2.80





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 31st December 2023) was £636.680m 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 to 31/12/23)	
		Limit	Actual
P9	Maturity Pattern	Upper Limit	
	Under 12 months	50%	8.59%
	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

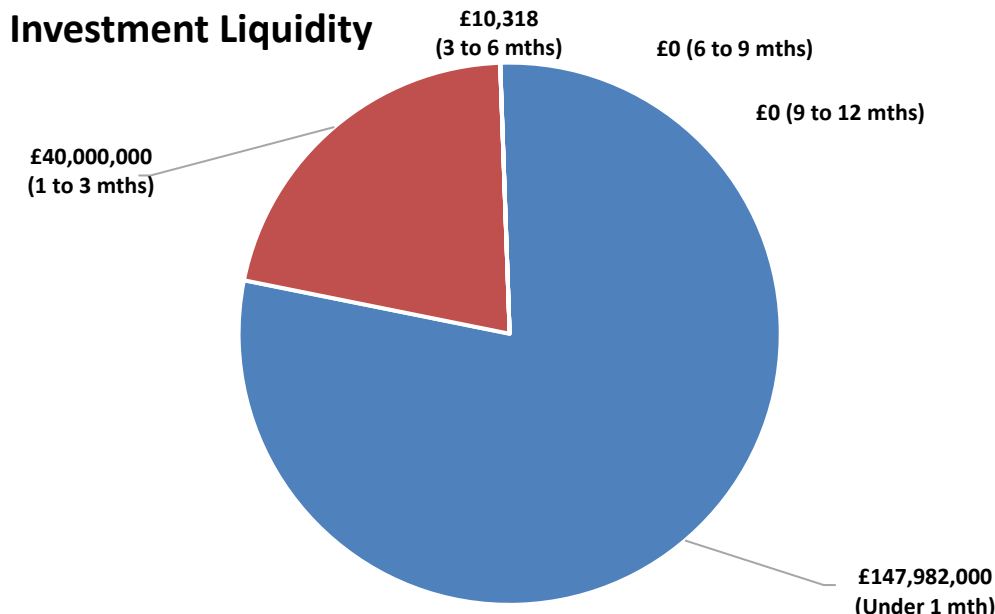
3 Investment Strategy – 2023/2024

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 31st December 2023, the funds managed by the Council's in-house team amounted to £187.992 million and all investments complied with the Annual Investment Strategy.

Investment Summary at: 31 December 2023					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
Call Accounts:					
NatWest SIBA	Overnight	1,500,000	1.700		Call
Prime MMF	Overnight	49,597,000	5.380		Call
Aberdeen Liquidity Fund	Overnight	0	5.296		Call
Insight Liquidity MMF	Overnight	11,885,000	5.317		Call
Lloyds Banking Group Ltd	95d Notice	10,318	3.950		95 Day Notice
Sub-total:		62,992,318			
Fixed Term Deposits:					
Yorkshire Building Society	49 days	5,000,000	5.120	21-Nov-23	09-Jan-24
Standard Chartered Bank	184 days	44,000,000	5.830	25-Jul-23	25-Jan-24
Goldman Sachs Int Bank	184 days	36,000,000	5.770	25-Jul-23	25-Jan-24
Santander UK Plc	182 days	30,000,000	5.950	01-Sep-23	01-Mar-24
Santander UK Plc	182 days	10,000,000	5.900	22-Sep-23	22-Mar-24
Sub-total:		125,000,000			
TOTAL:		187,992,318			



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 31/12/23 %	2023/2024 Benchmark to 31/12/23 %
Return on investments	5.05	4.88

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 in December 2021 it rose at the next fourteen consecutive meetings before remaining unchanged at the next four meetings. The Base Rate currently stands at 5.25%, its highest point since 2008.

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

Effective Date	BoE Base Rate %
22 Jun 2023	5.00
3 Aug 2023	5.25
21 Sep 2023	5.25
2 Nov 2023	5.25
14 Dec 2023	5.25

- 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	<u>Maximum Deposit</u> £m	<u>Maximum Duration</u>
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	Baa1	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	AA+		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.

**TREASURY MANAGEMENT POLICY AND STRATEGY 2024/2025, INCLUDING
PRUDENTIAL INDICATORS FOR 2024/2025 TO 2027/2028**

Report of the Director of Finance

1. Purpose of the Report

- 1.1 To inform the Audit and Governance Committee on the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2024/2025 and to note the Prudential 'Treasury Management' Indicators for 2024/2025 to 2027/2028 and to provide comments to Council on the proposed policy and indicators where appropriate.

2 Treasury Management

- 2.1 Treasury Management is defined as “the management of the local authority’s borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.2 Statutory requirements

- 2.2.1 The Local Government Act 2003 (the Act) requires the Council to:

- 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators (including specific Treasury Management Indicators) for a minimum period of three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. These are detailed at Appendix 1.
- adopt a Treasury Management Policy Statement (detailed in Appendix 2), and
- to set out its Treasury Management Strategy comprising the Council’s strategy for borrowing and the Council’s policies for managing its investments and giving priority to the security and liquidity of those investments (set out in Appendix 3).

- 2.2.2 The Department for Levelling Up, Housing and Communities (DLUHC) 'Statutory Guidance on Local Government Investments' was updated in February 2018 and CIPFA updated its Treasury Management in the Public Services Code of Practice and Prudential Code in December 2021. The Council is statutorily required to have regard to this advice when setting its Treasury Management Policy Statement and Treasury Management Strategy. The investment guidance focused particularly on non-treasury investments which are reported separately within the Commercial Activity – Investment Strategy section of the Capital Strategy rather than in the Treasury Management Strategy. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments. The code update continues the strong reinforcement that local authorities must not borrow to invest primarily for financial return.

2.3 CIPFA requirements

2.3.1 The Council continues to fully adopt and to re-affirm annually its adherence to the updated CIPFA Code of Practice on Treasury Management.

The primary requirements of the Code include that:

1. The Council will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
 - suitable treasury management practices (TMPs), setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the treasury management policy statement is detailed in Appendix 2 and the TMPs follow the recommendations contained in Sections 6 and 7 of the Code, subject only to minor variations where necessary to reflect the circumstances of the Council and these do not result in the Council materially deviating from the Code's key principles.

2. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan, in advance of the year ahead, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance, who acts in accordance with the Council's Treasury Management Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council's Audit and Governance Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2.4 Treasury Management Strategy Statement for 2024/2025

2.4.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Council's policies for managing its borrowing and investments in 2024/2025.

2.4.2 There are no major changes proposed to the overall Treasury Management Strategy in 2024/2025, which maintains the careful and prudent approach adopted by the Council in previous years. Areas that inform the strategy include the extent of potential borrowing included in the Capital Programme, the availability of borrowing, and the current and forecast global and UK economic positions, in particular forecasts relating to interest rates and security of investments.

2.4.3 The proposed Treasury Management Strategy Statement for 2024/2025 is set out in Appendix 3 and has been informed by market data, market information and leading market forecasts and views provided by the Council's treasury adviser, Link Asset Services.

2.4.4 The Council's treasury management practices are subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate so that the Council can take a view on the optimum time to carry out further borrowing or debt rescheduling.

3 Recommendation

3.1 Committee is requested to:

3.1.1 Note the proposed:

- Annual Treasury Management Policy and Strategy for 2024/2025 (including specifically the Annual Borrowing and Investment Strategies) and;
- Prudential and Treasury Management indicators 2024/2025 to 2027/2028.

3.1.2 Provide any appropriate comments to Council on the proposals.

Prudential and Treasury Indicators 2024/2025 to 2027/2028

All of the prudential indicators fully reflect regulatory requirements. Should any of the Council's prudential indicators be exceeded during the year then they will be reported to Cabinet and where appropriate full Council at the next appropriate meeting following the change.

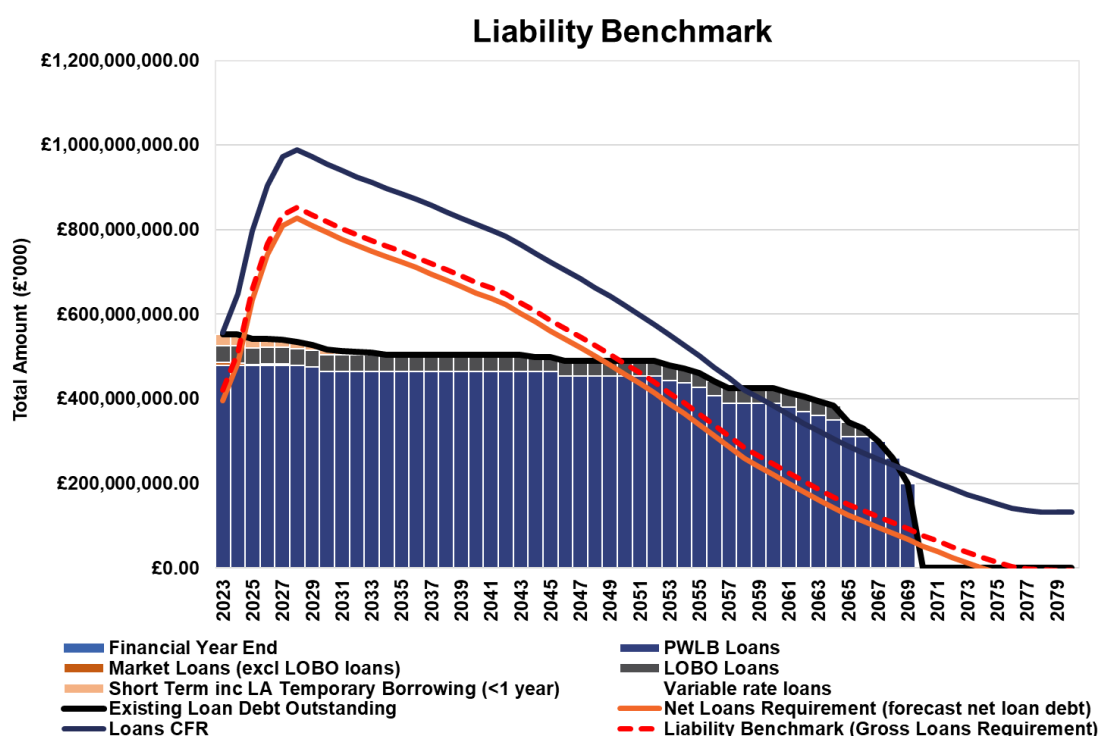
The indicators that must be taken into account are set out below:

- P4 CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following comparator between gross debt and the capital financing requirement as a key indicator of prudence:

"In order to ensure that over the medium-term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Council had no difficulty meeting this requirement in 2022/2023, nor are there any difficulties envisaged for the current or future years.

The liability benchmark for the Council is shown in the chart below. From 2025 onwards it is projected for the next 20 years that the Council will be under-borrowed against its requirements. This will mean that additional borrowing will be required but the Council will manage that, as it always has, by monitoring interest rates and identifying the most appropriate borrowing opportunities. There may be occasions when the Council will opt to actively be under-borrowed to avoid excessive interest rate costs and manage financing requirements through internal resources.



- P5 In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt (gross of investments) for the next four financial years. These limits must separately identify borrowing from other long-term liabilities such as PFI schemes and leases. The Council is asked to

approve these limits and to delegate authority to the Director of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for the Council. Any such changes made will be reported to Cabinet and the Council at the next available meeting.

	Authorised Limit for External Debt				
	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
	£'000	£'000	£'000	£'000	£'000
Borrowing	1,037,533	1,065,080	1,043,975	1,023,097	1,009,561
Other long-term liabilities	153,699	145,577	137,152	129,218	121,386
Total	1,191,232	1,210,657	1,181,127	1,152,315	1,130,947

The above authorised limits are consistent with the Council's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent, but not worst-case scenario, with, in addition, sufficient headroom over and above this to allow for operational management, for example unusual cash movements, non-financial investments and refinancing of all internal borrowing. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

The Council also undertakes investment and borrowing on behalf of external bodies such as Tyne and Wear Fire and Rescue Authority. Treasury Management undertaken on behalf of other authorities is included in the Council's borrowing limits, however it is excluded when considering financing costs and when calculating net borrowing for the Council. A specific element of risk has also been taken into account for these bodies. The capital expenditure and borrowing of companies where the Council has an interest such as International Advanced Manufacturing Park (IAMP LLP), Siglion, Sunderland Care and Support Ltd, Sunderland Lifestyle Partnership Ltd and Together for Children Sunderland Ltd is not included within the Council's prudential indicators, however regard to the financial commitments and obligations to those bodies is taken into account when deciding whether borrowing is affordable.

In taking its decisions on the Revenue Budget and Capital Programme for 2024/2025, the Council is asked to note that the authorised limit determined for 2024/2025 (see P5 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

- P6 The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit, but reflects directly the estimate of the most likely, prudent but not worst-case scenario level, without the additional headroom included within the authorised limit to allow for example for unusual cash flow movements. It equates to the projected maximum external debt and represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also requested to delegate authority to the Director of Finance, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, similar to the authorised limit set out in P5.

The operational boundary limit will be closely monitored, and a report will be made to Cabinet if it is exceeded at any point in the financial year ahead. It is generally only expected that the actual debt outstanding will approach the operational boundary when all of the long-term borrowing needed to support the Council's Capital Programme has been undertaken for that particular year and the next two financial years and that it will only be exceeded temporarily as a result of the timing of debt rescheduling.

Operational Boundary for External Debt					
	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
	£'000	£'000	£'000	£'000	£'000
Borrowing	1,012,533	1,040,080	1,018,975	998,087	984,561
Other long-term liabilities	153,699	145,577	137,152	129,218	121,386
Total	1,166,232	1,185,657	1,156,127	1,127,315	1,105,947

P7 The Council's actual external debt at 31st March 2023 was £681.850 million and was made up of borrowing of £549.336 million and other long-term liabilities of £132.514 million.

The Council includes an element for long-term liabilities relating to PFI schemes and finance leases in its calculation of the operational and authorised boundaries to allow further flexibility over future financing. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary since the actual external debt reflects the position at any one point in time and allowance needs to be made for internal borrowing and cash flow variations.

P8 The Council is no longer required to formally indicate if it has adopted the CIPFA Code of Practice on Treasury Management. However, the revised Code was adopted in 2017 by full Council and is re-affirmed annually.

The objective of the Prudential Code is to provide a clear framework for local authority capital finance that will ensure for individual local authorities that:

- (a) capital expenditure plans are affordable;
 - (b) all external borrowing and other long-term liabilities are within prudent and sustainable levels; and
 - (c) treasury management and investment decisions are taken in accordance with professional good practice and in full understanding of the risks involved.
- And that in taking decisions in relation to (a) to (c) above the local authority is accountable, by providing a clear and transparent framework.

Further, the framework established by the Code should be consistent with and support:

- (a) local strategic planning;
- (b) local asset management planning; and
- (c) proper option appraisal.

In exceptional circumstances the objective of the Code is to provide a framework that will demonstrate that there is a danger of not ensuring the above, so that the Council can take timely remedial action.

CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2024/2025 to 2027/2028

- P9 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing maturing in each period expressed as a percentage of total projected borrowing at the start of the period:

	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and within 30 years	100%	0%
30 years and within 40 years	100%	0%
40 years and within 50 years	100%	0%
over 50 years	100%	0%

- P10 A maximum maturity limit of £75 million is set for each financial year (2024/2025, 2025/2026, 2026/2027 and 2027/2028) for long-term investments (those over 365 days), made by the Council. This gives additional flexibility to the Council in undertaking its Treasury Management function. Should the Council appoint any external fund managers during the year, these limits will be apportioned accordingly. The types of investments to be allowed are detailed in the Annual Investment Strategy (Appendix 3).

At present the Council has £29.376m of long-term investments. This is £16.508m for the value of share capital held in NIAL Holdings PLC (a 18.87% share), a £12.350m equity investment in Siglion (a 100% share), a £0.500m equity share in Sunderland Lifestyle Partnership Ltd (a 50% share) and the Council also holds £0.018m in shares and unit trusts.

Treasury Management Policy Statement

In line with CIPFA recommendations, on 3rd March 2010 (updated in December 2021) the Council adopted the following Treasury Management Policy Statement, which defines the policies and objectives of its treasury management activities:

- The Council defines its treasury management activities as: “The management of the Council’s borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

These principles are intended to provide a working document that forms a detailed framework for treasury management activities. The policy fully encompasses CIPFA’s Code of Practice. In addition, the policy fully takes account of the requirements of the Prudential Code for Capital Finance in Local Authorities and the guidance issue by the DLUHC supporting Part 1 of the Local Government Act 2003 in respect of local authority investments.

The Council re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2024/2025 as it does every year.

Treasury Management Strategy Statement for 2024/2025

1. Introduction

- 1.1 The Local Government Act 2003 and subsequent guidance requires the Council to set out its Treasury Management Strategy for Borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing both its borrowing and its investments, which gives priority to the security and liquidity of those investments over yield.

The suggested strategy for 2024/2025 is set out below and is based upon the Director of Finance' views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Council's treasury adviser, Link Asset Services.

In December 2021 CIPFA issued a revised Treasury Management Code of Practice and Cross-Sectoral Guidance Notes, and a revised Prudential Code. In February 2018 DLUHC revised their Guidance on Local Government Investments and also their Statutory Guidance on Minimum Revenue Provision. A particular focus of these revised codes is how to deal with local authority investments which are non-treasury type investments e.g. by investing in a property portfolio in order to generate income for the authority at a higher level than can be attained by vanilla treasury investments. This report deals solely with financial investments managed by the Council's Treasury Management function. Non-treasury investments are covered in the Capital Strategy which was approved by Council in November 2023. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments.

2. Treasury Management Strategy

2.1 Borrowing

2.1.1 Current Treasury Management Position

The Council's treasury portfolio position at 31st December 2023 comprised:		Principal (£m)	Total (£m)	Average Rate (%)
Treasury external borrowing				
Fixed Rate Funding	PWLB	479.6		
	Market	39.5		
	Other	10.9	530.0	2.68
Variable Rate Funding	Temporary / Other		27.6	4.96
Total external borrowing			557.6	2.80
Total treasury investments				
	In house – short term		188.0	5.05
Net treasury borrowing			369.6	

The Council currently has a net deficit of £369.6m which represents the difference between gross debt and total investments and is significantly lower than the Council's capital financing requirement (capital borrowing need).

2.1.2 Treasury Indicators and Limits

Prudential and Treasury Indicators (as set out in Appendix 1) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels (and council housing rent levels where relevant) is 'acceptable'.

The "Affordable Borrowing Limit" comprises of the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming financial year and three successive financial years and details can be found in Appendix 1 (P5) of this report. The Council is asked to approve these limits and to delegate authority to the Director of Finance, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long-term liabilities where this would be appropriate. Any such changes made will be reported to Cabinet and the Council at their next meetings following the change.

Also, the Council is requested to approve the Operational Boundary Limit (P6) which is included in the Prudential Indicators set out in Appendix 1. This operational boundary

represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Council is also asked to delegate authority to the Director of Finance, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

The requirement for the Council to indicate it has adopted the CIPFA Code of Practice on Treasury Management was removed in the revised 2017 edition of the code. However, this is still considered to be good practice. The original 2001 Code was adopted on 20th November 2002. The Council reaffirms its full adherence to the latest 2017 edition of the Code and will continue to do so annually (as set out in Appendix 2).

2.1.3 Prospects for Interest Rates

At its meeting on 13th December 2023 the Bank of England's (BoE) Monetary Policy Committee (MPC) voted for the third meeting in a row to leave interest rates at 5.25%, with Governor Bailey commenting there is still some way to go in the fight to control inflation and that it was much too early to be thinking about rate cuts. This reflects their commitment to combat inflationary pressures, even at the risk of hampering growth, to ensure headline CPI inflation drops back to its 2% target.

Link Asset Services, the Council's treasury advisors, reviewed their interest rate forecasts in January 2024 to reflect their view that the MPC would be keen to underpin its anti-inflation credentials by keeping the Bank Rate at 5.25% until at least the second quarter of 2024. They believe the MPC won't look to cut rates until both CPI inflation and wage / employment data are unequivocally supportive of such a move and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

Link forecast the BoE Base Rate will remain at 5.25% until June 2024, before gradually falling to 3.00% by September 2025. These forecasts, and MPC decisions, will be liable to further amendment as updated economic data becomes available and emerging developments in the financial markets.

The following table shows the average PWLB rates for Quarters 1, 2 and 3 and the average PWLB rates for Quarter 4 to 17th January 2024.

2023/2024	Qtr 1* (Apr - Jun) %	Qtr 2* (Jul - Sep) %	Qtr 3* (Oct – Dec) %	Qtr 4* (to 17th Jan 2024) %
SONIA Rate	4.37	5.09	5.19	5.19
1 year	5.32*	5.91*	5.54*	5.28*
5 year	4.87*	5.44*	4.95*	4.44*
10 year	4.78*	5.23*	5.05*	4.62*
25 year	5.09*	5.47*	5.48*	5.17*
50 year	4.82*	5.16*	5.24*	4.96*

*rates take account of the 0.2% discount to the PWLB rates available to eligible authorities (including the Council).

The Link Asset Services forecast in respect of interest rates for loans charged by the PWLB is as follows:-

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
March 2024	5.25	4.50	5.20	5.00
June 2024	5.25	4.40	5.10	4.90
Sept 2024	4.75	4.30	4.90	4.70
Dec 2024	4.25	4.20	4.80	4.60
March 2025	3.75	4.10	4.60	4.40
June 2025	3.25	4.00	4.40	4.20
Sept 2025	3.00	3.80	4.30	4.10
Dec 2025	3.00	3.70	4.20	4.00
March 2026	3.00	3.60	4.20	4.00
June 2026	3.00	3.60	4.10	3.90
Sept 2026	3.00	3.50	4.10	3.90
Dec 2026	3.00	3.50	4.10	3.90

The main sensitivities of the forecasts in the UK are felt to be linked to the timing of when the BoE decides to cut the Base Rate. Cut too soon and inflationary pressures could build up further but cut too late and any downturn or recession may be prolonged. The ongoing conflict between Russia and the Ukraine, Gaza and Israel and heightened tensions between China, Taiwan and the United States alongside other geopolitical factors are likely to continue to have a global economic impact. A further concern is that significant issues remain unresolved over future UK / EU trade arrangements following Brexit and complications or lack of co-operation in discussions pose a threat.

2.1.4 Borrowing Strategy

The Council's strategy for 2023/2024 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 4.5% for long-term borrowing was set considering the views prevalent at the time the Treasury Management policy was set in February 2023.

The basis of the proposed Borrowing Strategy for 2024/2025 is to:

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Council’s future borrowing requirement when market conditions are considered favourable;
- current (January 2024) long-term PWLB rate (50 years) 5.15%. Forecast rates over the financial year 2024/2025 are 4.90% Q1, 4.70% Q2, 4.60% Q3 and 4.40% Q4. Should interest rates fall below these rates borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity.

As announced by the Chancellor in November 2020, a prohibition was introduced that denies access to any new borrowing from the PWLB for a local authority that has plans to purchase investment assets “primarily for yield”. When applying for PWLB borrowing authorities must now submit a high-level description of their capital spending and financing plans for the following three years. In addition, the Section 151 Officer (Director of Finance) must confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment will be based on the Section 151 Officer’s professional interpretation of guidance issued along with PWLB lending terms.

PWLB interest rates remain the likely cheapest option available to the Council to fund the large borrowing requirement needed to support the capital programme and it will benefit the Council’s revenue budget over the longer term. The Treasury Management team continues to closely monitor interest rates to assess the value of possible further new borrowing in line with Capital Programme requirements. In order to optimise the Council’s position, consideration will also be given to various other funding options, including taking out shorter term borrowing, utilising investment balances, and use of other financial institutions to provide borrowing facilities to fund the Council’s borrowing requirement.

The Council has seven market Lender’s Option / Borrower’s Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the interest rate on these loans at set intervals and the Council can either accept the new rate or repay the loan without penalty. The following table shows the three LOBOs that were subject to a potential rollover in 2023/2024. No changes to loan rates have been received and so these arrangements will continue.

Roll Over Dates	Lender	Amount £m	Rate %	Roll Over Periods
27/07/2023 and 27/01/2024	Dexia	5.0	4.32	Every 3 years
21/04/2023 and 21/10/2023	Barclays	5.0	4.50	Every 6 months
10/06/2023 and 10/12/2023	Barclays	9.5	4.37	Every 3 years
Total		19.5		

The capital expenditure plans, set out separately, provide details of the service activity of the Council. The treasury management function ensures that the Council’s cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This involves both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

The Council's potential borrowing requirement is as follows:

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
1.	Capital Programme Borrowing	160.3	122.5	88.6	39.2
2.	Replacement borrowing (PWLB)	0.0	0.0	0.0	0.0
3.	Replacement LOBO	20.0	10.0	19.5	20.0
TOTAL:		180.3	132.5	108.1	59.2

The Council currently has net treasury borrowing of £369.6m which represents the difference between gross debt and total investments. This means that the capital borrowing need (the capital financing requirement) has not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. Consideration will be given to continue utilising some investment balances to fund the borrowing requirement in 2024/2025. This policy has served the Council well over the last few years as investment returns were low. As a result, the Council is currently maintaining an under-borrowed position. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long term whilst ensuring that financing is available to support capital expenditure plans.

There are a number of risks and benefits associated with having both a large amount of debt whilst at the same time having a considerable number of investments.

Benefits of having a high level of investments are:

- liquidity risk – having a large number of investments means that the Council is at less of a risk should money markets become restricted or borrowing less generally available, this mitigates against liquidity risk;
- interest is received on investments which helps support the Council's overall budget position; and
- of more importance, the Council has greater freedom in the timing of its borrowing as it can afford to wait until the timing is right rather than be subject to the need to borrow at a time when interest rates are not advantageous.

Risks associated with holding a high level of investments are:

- the counterparty risk – institutions cannot repay the Council investment placed with them; and
- interest rate risk – the rate of interest earned on the investments will be less than that paid on debt, thus causing a loss to the Council.

The Council has mitigated these risks by having a risk averse Treasury Management Investment Strategy and by detailed monitoring of counterparties through its borrowing and investment strategies and treasury management working practices and procedures.

A Municipal Bonds Agency, set up by the Local Government Association, has begun to offer bonds to local authorities. The rates offered by the Agency will be assessed and use made of this, and any other new sources of funding that may become available, where it is considered advantageous.

The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required when considering borrowing opportunities, and flexibility needs to be retained to adapt to any changes that may occur.

The Council, taking advice from the Council's treasury advisers will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, wherever possible.

Taking into account potential market volatility and the advice of the Council's treasury adviser, alongside potential movement in the Bank of England base rate, a benchmark financing rate of 5.00% for any long-term borrowing undertaken during 2024/2025 is considered to be appropriate.

2.1.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely to profit from treasury investments of the extra sums borrowed. Any decision to borrow in advance will be assessed within forward approved Capital Financing Requirement estimates, with regard to current policies, and will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance of activity will be subject to appraisal and any borrowing undertaken will be reported to Cabinet as part of the agreed reporting arrangements.

2.1.6 Debt Rescheduling

The reasons for any rescheduling of debt will include:

- the generation of cash savings at minimum risk;
- in order to help fulfil the Treasury Management Strategy; and
- in order to enhance the balance of the long-term portfolio (by amending the maturity profile and/or the balance of volatility).

In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. However, the very low underlying rate of the Council's long-term borrowing together with the current spread between the rates applied to new PWLB borrowing and repayment of PWLB debt means that PWLB debt restructuring is much less attractive. Consideration will also be given to other options where interest savings may be achievable by using LOBO (Lenders Option Borrowers Option) loans, and / or other market loans, in rescheduling exercises rather than solely using PWLB borrowing as the source of replacement financing but this would only be the case where this would represent best value to the Council.

Following consultation and advice from the Council's treasury advisers the Council has taken the decision to borrow over longer term periods and much of the Council borrowing is for periods over 40 years and on a fixed interest rate basis. This borrowing has been taken out where it offers good value and to allow for the potential to benefit from refinancing debt in the future. A further benefit is that it reduces risk by giving certainty of borrowing rates over the long term.

The Council keeps a watching brief on market conditions in order to secure further debt rescheduling when, and if, appropriate opportunities arise. The timing of all borrowing and investment decisions inevitably includes an element of risk, as those decisions are based upon expectations of future interest rates. The policy to date has been very firmly one of risk spread and this prudent approach will be continued.

Any rescheduling undertaken will be reported to Cabinet, as part of the agreed treasury management reporting arrangements.

2.2 Annual Investment Policy and Strategy

2.2.1 Investment Policy and Management of Risk

When considering its investment policy and objectives, the Council has regard to the DLUHC Guidance on Local Government Investments (“the Guidance”), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the CIPFA TM Code”) consideration has also been given to the refreshed Code published in December 2021.

The DLUHC and CIPFA have extended the meaning of investments to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the Council’s Treasury Management function). Non-financial investments, essentially the purchase of income yielding assets, are covered within the Capital Strategy approved by Council in November 2023.

The Council’s investment objectives are:

- (a) the security of capital, and
- (b) the liquidity of its investments.

The Council also aims to achieve the optimum return on its investments, but this is commensurate with proper levels of security and liquidity.

In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate the Council will also consider the value available in placing investments for longer periods with high credit rated financial institutions, as well as wider range fund options.

The guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and in order to minimise the risk to investments, the Council will:

- apply minimum acceptable credit criteria (detailed in Annex B) in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of risk. The risk appetite of the Council is regarded as low in order to give priority to security of its investments;
- monitor credit ratings daily. The Council has access to all three credit ratings agencies and is alerted to changes through its use of Link Asset Services’ counterparty service. If a counterparty’s rating is downgraded with the result that it no longer meets the Council’s minimum criteria, the Council will cease to place funds with that counterparty. If a counterparty’s rating is downgraded with the result that their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty’s authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty’s investment limit and vice versa;
- not use ratings as the sole determinant of the quality of an institution. The Council will continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to monitor market pricing such as “credit default swaps” and overlay that information on top of the credit ratings provided;

- use other information sources including the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties;
- define the type of investment instrument that the treasury management team are authorised to use. The Council is allowed to invest in two types of investment, namely Specified Investments and Non-Specified Investments:
 - Specified Investments are sterling investments that are for a period of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are placed with high rated counterparties and are considered low risk assets where the possibility of loss of principal or investment income is small. Within these bodies and in accordance with the Code, the Council has set additional criteria to limit the time and amount of monies that will be invested with these bodies;
 - Non-Specified Investments are any investments which are not classified as Specified Investments. As the Council only uses investment grade high credit rated counterparties for treasury management investments this means in effect that any investments placed with those counterparties for a period over one year will be classed as Non-Specified Investments. A limit on the amount of investments which can be invested for longer than 365 days is set in the Council's creditworthiness policy.
- the type of investments to be used by the in-house treasury management team will be limited to Certificates of Deposit, variable term deposits, fixed term deposits, interest bearing accounts, Money Market Funds, Government debt instruments, floating rate notes, corporate bonds, municipal / local authority bonds, bond funds, gilt funds, and gilt-edged securities and will follow the criteria as set out in Annex B;
- assess the risk of default and if any of the Council's investments appear at risk of loss due to default, (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates), then the Council will make revenue provision of an appropriate amount in accordance with proper accounting practice or any prevailing government regulations, if applicable. This Council mitigates this risk with its prudent investment policy;
- set an approved lending list which shows lending limits and the maximum duration of any investment for each counterparty (detailed in Annex C). These are set using the agreed lending list criteria (detailed in Annex B);
- only place investments with counterparties from countries with a specified minimum sovereign rating as set out in the agreed lending list criteria (detailed in Annex B). Should the UK Government AA- sovereign rating be withdrawn the Council's Investment Strategy and Lending List criteria will be reviewed and any changes necessary will be reported to Cabinet; and
- engage external consultants to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

In accordance with accounting standard IFRS9, the Council considers the implications of investment instruments which could result in an adverse movement in the value of the amount invested and lead to resultant charges at the end of the year to the General Fund. In November 2018 DLUHC concluded a consultation for a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override for five years ending 31st March 2023. More recently, a further extension to the over-ride to 31st March 2025 has been agreed by Government.

The prudential code states that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

2.2.2 Creditworthiness policy

The creditworthiness policy adopted by the Council takes into account the credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's). Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the Council's counterparty criteria.

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to future outlooks for counterparties. However, as economies have recovered, there have been some instances of previous lowering of future outlooks being reversed.

Although bank Credit Default Swap (CDS) prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

While the Council understands changes that have taken place to reduce ratings, it will specify a minimum sovereign rating of AA-. This is due to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution. It is important to stress the ongoing regulatory changes made in the UK and the rest of Europe are designed to make the financial system sounder. Banks are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now.

In keeping with the agencies' new methodologies, the rating element of the Council's credit assessment process now focuses solely on the Short and Long Term ratings of an institution.

One of the recommendations of the Code is that local authorities should set limits for the amounts of investments that can be placed with institutions by country, sector and group. These limits are applied in the Council's Counterparty criteria set out in Annex B.

Set out in Annex C is the detailed criteria that will be used, subject to approval, in determining the level of investments that can be invested with each counterparty or institution. Where a counterparty is rated differently by any of the 3 rating agencies, the lowest rating will be used to determine the level of investment. If the Council's own banker, National Westminster Bank plc, should fail to meet the minimum credit criteria to allow investments from the Council then balances will be minimised as far as possible.

The Director of Finance will monitor long-term investment rates and identify any investment opportunities if market conditions change. It is proposed that delegated authority continues for the Director of Finance, in consultation with the Cabinet Secretary, to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to Cabinet retrospectively, in accordance with normal treasury management reporting procedures.

2.2.3 Outlook and Proposed Treasury Investment Strategy

Based on its cash flow forecasts, the Council anticipates its fund balances in 2024/2025 are likely to range between £50 million and £250 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or reprofiling of spend into future years. In 2023/2024 some investment balances have been used to fund borrowing requirements. It is likely that this will continue into 2024/2025 with investment balances being used to fund some borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to Cabinet if and when the appropriate conditions arise.

Activities likely to have a significant effect on investment balances are:

- Capital expenditure during the financial year (dependent upon timing), will affect cash flow and short-term investment balances;
- Any reprofiling of capital expenditure from, and to, other financial years will also affect cash flow (no reprofiling has been taken into account in current estimates);
- Any unexpected capital receipts or other income;
- Timing of new long-term borrowing to fund capital expenditure; and
- Possible funding of long-term borrowing from investment balances (dependent upon appropriate market conditions).

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

The minimum amount of overall investments that the Council will hold in short-term investments (less than one year) is £50 million. As the Council has decided to restrict most of its investments to term deposits, it will maintain liquidity by having a minimum of 30% of the total value of short-term investments maturing within 6 months.

A maximum limit of £75 million is to be set for in-house Non-Specified Investments over 365 days up to a maximum period of 2 years (excluding non-treasury management investments and all other investments defined as capital expenditure). This amount has been calculated by reference to the Council's cash flows, including the potential use of earmarked reserves.

The Council is not committed to any investments which are due to commence in 2024/2025 (i.e. it has not agreed any forward deals).

The Council, in conjunction with the Council’s treasury adviser Link Asset Services and taking into account the minimum amount to be maintained in short-term investments, will continue to monitor investment rates closely and to identify any appropriate investment opportunities that may arise.

During 2023/2024 the Council did not employ any external fund managers; all funds being managed by the in-house team. The performance of the fund by the in-house team is shown below compared with the benchmark SONIA (Sterling Overnight Index Average) rate and with the relevant benchmarks and performance from the previous year:

	2022/23 Benchmark	2022/23 Return	To date 2023/24 Benchmark	To date 2023/24 Return
Return	%	%	%	%
Council	2.24	2.16	4.88	5.05

During 2024/2025 the Council will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Council uses the Sterling Overnight Index Average (SONIA) rate as a benchmark for its investments. Performance is above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very turbulent market. The Council’s treasury management advisor reports the rate of return achieved compares favourably with their other local authority clients.

2.2.4 Policy on the use of external service providers

At present the Council does not employ any external fund managers.

Should the Council appoint any external fund managers in the future, they will have to agree to strict investment limits and investment criteria. These will be reported to Cabinet for agreement prior to any external fund manager being appointed.

The Council uses Link Asset Services as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remain with the Council at all times and will ensure that undue reliance is not placed upon our external advisors.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

2.2.5 Non - Treasury Investments

The Council may make other types of investments (usually defined by regulation as capital expenditure) that are not part of treasury management activity. Treasury management investments activity covers those investments which arise from the Council’s cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

Investments that may be made for policy reasons outside of normal treasury management activities may include service investments held clearly and explicitly in

the course of the provision, and for the purposes, of operational services, including regeneration. This may include loans to local enterprises as part of a wider strategy for local economic growth.

The Director of Finance 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.

Investment objectives in relation to these types of investments will still be primarily security and liquidity but with the understanding that the liquidity for these types of investments may be less than those for treasury management activities and that these may be subject to higher levels of risk. When non-treasury management investments are considered, due diligence will take place with all proposed investments being subjected to a detailed financial appraisal that will include financial sustainability of the investment and the identification of risk to both capital and returns. An assessment against loss will be carried out periodically and if the value of non-financial investments is no longer sufficient to provide security against loss mitigating actions will be taken. Decisions relating to non-treasury management investments will follow appropriate governance arrangements.

The Council's approach to non-treasury investments is covered within the Capital Strategy approved by Council in November 2023 and complies with the guidance that Local Authorities will not use PWLB borrowing primarily for yield.

3. **Scheme of delegation**

- 3.1 The Treasury Management Strategy Statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy (TMS) is approved annually by the full Council. In addition, quarterly reports are made to Cabinet and the Audit and Governance Committee and monitoring reports are reviewed by members in both executive and scrutiny functions respectively. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

The Council has the following reporting arrangements in place in accordance with the requirements of the Code: -

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Policy Statement	Full Council	Reaffirmed annually and updated as appropriate
Treasury Management Strategy / Annual Investment Strategy	Full Council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy –updates or revisions at other times	Full Council	As appropriate
Treasury Management Monitoring Reports	Director of Finance	Monthly

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Practices	Director of Finance	Annually
Scrutiny of Treasury Management Strategy	Cabinet / Audit and Governance Committee	Annually before Full Council
Scrutiny of Treasury Management Performance	Cabinet / Audit and Governance Committee	Quarterly
Annual Treasury Management Outturn Report	Cabinet / Audit and Governance Committee	Annually by 30 September after the end of the financial year

4. The Treasury Management Role of the Section 151 Officer

4.1 The Director of Finance is the Council's Section 151 Officer and has specific delegated responsibility in the Council's Constitution to manage the borrowing, financing, and investment requirements of the Council in accordance with the Treasury Management Policy agreed by the Council. This includes:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparing a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council;
- ensuring that the Council has the appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities;
- providing to members a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by the Council; and
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above.

1. Interest Rate Forecasts

- 1.1 The data set out overleaf shows a variety of forecasts published by Link Asset Services and Capital Economics (an independent forecasting consultancy). PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012. There are no changes to these forecasts as at 16th January 2024.
- 1.2 The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

ECONOMIC FORECASTS

LINK GROUP – JANUARY 2024

	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025	End Q2 2025	End Q3 2025	End Q4 2025	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q4 2026
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%
5yr PWLB Rate	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%
10yr PWLB Rate	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%
25yr PWLB Rate	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%
50yr PWLB Rate	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%	4.00%	4.00%	3.90%	3.90%	3.90%	3.90%

CAPITAL ECONOMICS – JANUARY 2024

	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025	End Q2 2025	End Q3 2025	End Q4 2025
Bank Rate	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%
5yr PWLB Rate	4.50%	4.30%	4.20%	4.00%	3.90%	3.80%	3.80%	3.70%
10yr PWLB Rate	4.50%	4.40%	4.20%	4.10%	4.10%	4.10%	4.10%	4.10%
25yr PWLB Rate	5.10%	4.80%	4.60%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB Rate	4.70%	4.60%	4.50%	4.30%	4.30%	4.30%	4.40%	4.40%

Source: Link Asset Services – Citywatch December 2023

2. Survey of Economic Forecasts

2.1 HM Treasury November 2023

The current 2023 base rate forecasts are based on samples of both City and non-City forecasters included in the HM Treasury November 2023 report.

BANK RATE FORECASTS	Annual Average Bank Rate				
	Ave. 2023	Ave. 2024	Ave. 2025	Ave. 2026	Ave. 2027
Average	4.76%	5.02%	3.86%	3.13%	2.89%
Highest	4.90%	5.40%	4.70%	4.20%	4.10%
Lowest	4.30%	3.80%	2.80%	2.00%	2.00%

Source: HM Treasury: Forecasts for the UK Economy Nov. 2023 (No.436, Table M4)

Lending List Criteria

1. Counterparty Criteria

- 1.1 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.
- 1.2 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

CNAV – Constant Net Asset Value, LVNAV – Low Volatility Net Asset Value, VNAV – Variable Net Asset Value

- 1.3 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.
- 1.4 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:

2. Country Limit

- 2.1 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.
- 2.2 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 (excluding money market funds) of £300m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	300
Non-UK	50

3. Sector Limit

- 3.1 The Code recommends that 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

4. Group Limit

- 4.1 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.
- 4.2 Proposed group limits are set out in Annex C.

Approved Lending List

	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

	Fitch		Moody's		Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	L Term	S Term	L Term	S Term		
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
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days
Principality BS **	BBB+	F2	Baa1	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	

	Fitch		Moody's		Standard & Poor's		Limit £m	Max Deposit Period
	L Term	S Term	L Term	S Term	L Term	S Term		
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
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	AA+		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

RFB – Ringfenced Bank, NRFB – Non-Ringfenced Bank

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.

* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

** 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.