

AUDIT AND GOVERNANCE COMMITTEE

AGENDA

Meeting to be held on Friday 22 July 2022 at 1.30pm in Committee Room 1, City Hall, Plater Way, Sunderland, SR1 3AA

ITEM		PAGE
1.	Receipt of Declarations of Interest (if any)	
2.	Apologies	
3.	Minutes of the Meeting of the Committee held on Friday 29 April 2022 (Copy attached.)	1
4.	Risk and Assurance Map Update 2022/2023 Report of the Assistant Director of Assurance and Property Services (copy attached).	7
5.	Annual Report on the Work of the Committee 2021/2022 Report of the Executive Director of Corporate Services (copy attached).	27
6.	Treasury Management Annual Review 2021/2022 Report of the Executive Director of Corporate Services (copy attached).	31
7.	Treasury Management First Quarterly Review 2022/2023 Report of the Executive Director of Corporate Services (copy attached).	39

8.	Council's Going Concern Status Report	53
	Report of the Executive Director of Corporate Services (copy attached).	
9.	Data Protection Annual Report 2021/2022	59
	Report of the Data Protection Officer (copy attached).	
10.	Audit Progress Report	-
	Report of the External Auditor (copy to be printed separately).	

ELAINE WAUGH
Assistant Director of Law and Governance

City Hall
Sunderland

14 July 2022

AUDIT AND GOVERNANCE COMMITTEE

Friday 29 April 2022

Present:

Mr M Knowles in the Chair

Councillors Nicholson, Price, Stewart and P Wood.

In Attendance:

Paul Davies (Assistant Director of Assurance and Property Services), Paul Dixon (Chief Accountant), Kelly Brown (Audit Manager), Diane Harold (Mazars) and Gillian Kelly (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Mr G Cook and Councillor N MacKnight.

Minutes

22. RESOLVED that the minutes of the meeting of the Committee held on 4 February 2022 be confirmed as a correct record.

Councillor Wood referred to the conversation which had taken place about the impact of further increases in interest rates and asked what would happen if these went up to 2.5% for example.

The Chief Accountant stated that the Medium Term Financial Strategy included provision to cover off cost pressures including areas such as pay awards, energy costs, social care and also debt charges. PWLB borrowing rates were currently at 2.5% and the Council's advisors did not expect a dramatic shift up but it was a balancing act for the team to know when to borrow and this position would be monitored closely.

The Assistant Director of Assurance and Property Services advised that a verbal update on the Carbon Plan (risk score R07) would be brought to the next meeting of the Committee.

Annual Governance Review/Annual Governance Statement 2021/2022

The Executive Director of Corporate Services submitted a report providing details of the 2021/2022 Annual Governance Review, the Risk and Assurance Map at the end of the year and the Internal Audit opinion on the adequacy of the overall system of internal control. The draft Annual Governance Statement and an improvement plan for the year ahead were included.

The Committee had approved the Risk and Assurance Map for 2021/2022 in April 2021, together with the plans of work for the Internal Audit and the Risk and Assurance teams. These plans covered the Council and its wholly owned companies.

The Local Code of Corporate Governance was reviewed annually to ensure that it was up to date and effective and minor changes were proposed mainly in relation to the Council's City Plan and the updated version was attached at Appendix 1 to the report. The Council was also required to publish an Annual Governance Statement (AGS) with its Statement of Accounts which was to be supported by a comprehensive assurance gathering process.

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

The Committee were advised that there had been a shortage of staff resources in the Internal Audit team during the year and an external internal audit firm had been engaged and this had enabled 91% of the original audit plan to be completed. All of the Key Performance Indicators for Internal Audit for 2021/2022 had been achieved.

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

Progress on the actions in the corporate governance improvement plan for 2021/2022 had been reviewed and it was found that all five actions were complete and as a result of the review five new actions would be included in the improvement plan for 2022/2023.

The Annual Governance Statement had been drafted taking into account the findings of the annual governance review and was attached as appendix 4 to the report.

Councillor Wood noted that the achievement of 91% of the Internal Audit Plan was commendable and should be recognised. The Vice-Chair highlighted that the teams

had delivered in what had been a difficult year and acknowledged the strong and positive report.

Having considered the report, it was: -

23. RESOLVED that: -

- (i) that the updated Local Code of Corporate Governance at Appendix 1 be agreed;
- (ii) the report and Risk and Assurance Map at Appendix 2 be noted;
- (iii) the Improvement Plan at Appendix 3 be agreed; and
- (iv) the draft Annual Governance Statement at Appendix 4 be agreed.

Risk and Assurance Map 2022/2023

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

- the proposed Risk and Assurance Map and the supporting plans of work for the Internal Audit and Risk and Assurance teams for 2022/2023; and
- Internal Audit's key performance measures and targets for 2022/2023.

The Risk and Assurance Map for 2022/2023 set out where assurance would be obtained from, including the plans of work for Internal Audit and Risk and Assurance for the coming year.

The key areas of work for the Risk and Assurance team would include: -

- Managing the Council's Risk Management Policy and Strategy
- Monitoring external risk factors which may have an impact on the achievement of the Council's objectives, such as EU Exit and the conflict in Ukraine.
- Economic regeneration such as the International Advanced Manufacturing Park, city centre developments and infrastructure work for the proposed Giga factory at Nissan.
- Proposed Pedestrian Walkway of the River Wear.
- Implementation of the Smarter Cities Programme.

Internal audit work would include the following: -

- Information governance, including compliance with the General Data Protection Guidelines
- Continuing audit work in relation to the Council's Housing Service
- Performance Management Arrangements in relation to Public Health
- Work at the Port including Health and Safety and Delivery of the Business Plan
- Planning and Development Control

- Corporate Asset Management Strategy and Compliance
- Adult Social Care recovery arrangements following Covid 19
- Programme Management Arrangements for Smarter Cities
- External Funding Arrangements
- A range of audits of the Council's financial systems and will be undertaken in line with an agreed five year rolling plan.
- Each of the Council's companies had their own audit plan, the results of which would feed into the Risk and Assurance Map.

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

The Vice-Chair commented that summary of key areas of work was very helpful and accordingly, it was: -

24. RESOLVED that the report be noted.

Proposed Forward Plan of Reports for 2022/2023

The Executive Director of Corporate Services submitted a report presenting the proposed Forward Plan of reports for 2022/2023 for consideration and comment.

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

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

Member Training and Development

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

The Assistant Director of Assurance and Property Services that two topics had been proposed for training sessions; the statement of accounts and a session on Treasury Management to be delivered by the Council's Treasury Management Advisors via Teams. Any new Members appointed to the Committee at the Annual Meeting of the Council would also be offered an induction session.

The Chief Accountant advised that the Treasury Management training would be arranged as soon as was practicable and the session on the statement of accounts would be offered once the draft accounts were complete .

26. RESOLVED that: -

- (i) it be agreed to receive a briefing session regarding the 2021/2022 Statement of Accounts;

- (ii) it be agreed to receive a training session regarding Treasury Management; and
- (iii) further areas for training/awareness sessions be suggested.

Auditor's Annual Report

The Executive Director of Corporate Services submitted a report detailing the external auditor's (Mazars) Annual Report (AAR) covering the year to 31 March 2021 which would subsequently be referred to the Council for information.

The AAR summarised the findings of the 2020/2021 audit and the key findings from the work were: -

- The financial statements gave a true and fair view of the Council and the Group's financial position as at 31 March 2021 and an unqualified audit opinion was issued;
- The financial statements had been prepared in accordance with the Code of Practice on Local Authority Accounting;
- There were no significant deficiencies in internal control;
- That the auditors did not use powers under the 2014 Act to issue a report in the public interest or to make written recommendations to the Council;
- The audit assessment on the Council's arrangements to ensure Value for Money concluded with no significant areas of weakness identified; and
- The Council's Whole of Government Accounts (WGA) Assurance Statement had been unable to be completed or audited as guidance was still awaited from central government. Until the WGA work was concluded, the 2020/2021 Audit Certificate was not able to be issued.

Diane Harold, Mazars, was in attendance to talk to the report and in doing so advised that the Auditor's Annual Report was intended to be more user friendly with a greater narrative in relation to value for money when compared to the previous Annual Audit Letter.

Diane highlighted that the AAR included an update in relation to fees. The scale fees had been set by Public Sector Audit Appointments Limited (PSAA) and any variations to other fees had to be invoiced and benchmarked by PSAA. The Regulator had increased requirements in several key areas and this had resulted in the auditors proposing increased fees for certain elements of the work.

Overall Diane stated that it was a very positive report and she had been delighted to include the text from the outstanding Ofsted report for Children's Services within her report.

The Vice-Chair was pleased to note the positive report and thanked the external auditors and the finance teams for their contribution to this excellent outcome. It was therefore: -

27. RESOLVED that the contents of the report be noted.

External Auditor's Progress Report

Diane advised that there was not a written report for the Committee on this occasion but she reported that the 2021/2022 audit was now underway and there had been no significant issues identified at the current time.

28. RESOLVED that the update be noted.

Audit Strategy Memorandum

The Council's external auditors, Mazars LLP, submitted their Audit Strategy Memorandum for the year ending 31 March 2022.

Diane Harold of Mazars presented the Audit Strategy Memorandum and in doing so highlighted that document set out the detail of the audit scope, approach and timeline.

The summary risk assessment had identified the following significant risks: -

- Management override of controls
- Valuation of property, plant and equipment and investment properties
- Valuation of the net defined benefits liability
- Enhanced risk accounting for PFI arrangements

For the Value for Money assessment there had been no risk of significant weakness identified at this time. Previously there had been significant risks regarding Ofsted and the financial pressures being faced by the Council but on balance, it had been determined that these were not significant but would still be looked at as part of the standard value for money work.

Mazars were not proposing any divergence from the scale audit fees set by PSAA, however this was subject to any recurring fee increases in relation to the testing of property, plant and equipment valuations and audit work in respect of the net defined benefits liability.

The Vice-Chair noted that this was an important document and queried the consultation which had taken place with senior officers. Diane advised that the external auditors looked at the outcome of internal audit work and regulatory reports received by the Council; it was possible that new risks could be identified from the review of these reports.

Following consideration of the report, it was: -

29. RESOLVED that the Audit Strategy Memorandum be noted.

(Signed) M KNOWLES
Vice-Chair

AUDIT AND GOVERNANCE COMMITTEE

22nd July 2022

RISK AND ASSURANCE MAP UPDATE – 2022/23

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 2022 the Committee agreed the Risk and Assurance Map and Strategic and Corporate Risk Profiles for 2022/23. 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. There are a number

of updates to the description of the risk, scores and mitigating actions. Key changes are as follows:

- The risk score in relation to R011 '*Unable to control variants of the Covid virus, which could increase the spread of the infection across Sunderland.*' has reduced from 16 (Red) to 12 (Red). This is because although the Covid rates continue to fluctuate the impact of hospitalisations is reducing.
- The risk description in relation to R013 has changed to '*Current model of social care cannot be sustained in the future, due to increasing pressures within the social care environment*'.
- It is proposed to close R016 as this risk is now covered in R018 and the development of a new Cultural Strategy.
- The risk score for R021 '*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.*' has increased from 8 (Amber) to 16 (Red).
- The risk description in relation to R022 has changed from '*Delivery of the City Plan is restricted by financial pressures.*' to '*Aspirations to develop the City Plan may be restricted by financial pressures*'. This is to reflect the fact the Council's budgeting process and development of the City Plan are aligned.

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 has been one change to the Corporate Risk Profile, the risk score for R06 has been reduced from 12 (Red) to 8 (Amber) due to a new service planning process being introduced.

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. The Internal Audit assurance level for Sunderland Care and Support has moved from Amber to Green as a result of positive results from internal audit work in the last quarter of 2021/22.

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.

- 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.
- 4.7 Whilst completing the Internal Audit Plan for 2021/22 there were 8 significant risk recommendations made over three audits. Internal Audit will monitor the implementation of these recommendations and provide updates to the Audit and Governance Committee. A summary of the issues is as follows:
- **Corporate Business Continuity Arrangements**
This audit focussed specifically on the ability of the Council's business critical services to function in the event of a failure in the ICT provision. Two significant risk recommendations were made to improve the business continuity planning process in relation to identifying actions that would be taken by business critical services should ICT not be available for a significant length of time. Work with these services is already ongoing and should be complete by the agreed timescale. The overall risk rating for this audit was Amber.
 - **Cyber Security – Vulnerability Management**
Following an external review by the National Cyber Security Centre and Department of Levelling Up, Housing and Communities a report and cyber treatment plan were issued to and agreed by the Council in January 2022. The report and cyber treatment plan made a number of high priority recommendations and funding has been made available to implement the plan. The Internal Audit report made three significant risk recommendations in relation to implement the cyber treatment plan and the update of policies and procedures as a result of this. The overall assurance rating for this Audit was Amber.
 - **IT Disaster Recovery**
The cyber treatment plan mentioned in the point above also made recommendations with regard to IT Disaster Recovery. The Internal Audit made three significant risk recommendations in relation to these issues which were agreed and are being progressed. The overall assurance rating for this audit was Red.

Assurance from Risk and Assurance Team

- 4.8 Areas that the Risk and Assurance Team are currently involved in are shown below. Much of their work is ongoing over a period of time, however, where ongoing assurance can be provided from their work this is shown on the Map. Assurance work within the last quarter has included:
- Risk Management work in relation to the potential impacts of EU Exit and the war in Ukraine.
 - Major capital schemes such as the International Advanced

Manufacturing Park, City Centre developments and the new Wear footbridge.

- Smart Cities Programme.
- Adult safeguarding assurance support.
- Risk management support to the Port Director.
- Risk management support to Housing Services.
- Risk management work in relation to the end of PFI contracts.

Assurance from others within the Council

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

Assurance from Management

- 4.10 Arrangements are in place to obtain assurance from senior managers for all service areas within the Council through an annual governance questionnaire which has been undertaken for 2021/22.

Assurance from External Sources

- 4.11 The Map includes assurance from relevant external sources.

Overall

- 4.12 The overall assurance levels are either green or amber. The Risk and Assurance Map, Strategic and Corporate Risk Profiles were recently considered by the Chief Officers and the issues raised above highlighted.

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.

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.

Risk and Assurance Map – 2022/23

Strategic and Corporate Risk Areas			1st Line	2nd Line							3rd Line	
	Current Risk Score	Cumulative Assurance Position	Management Assurance	Other Internal Assurance Activity							Internal Audit	External Assurance
				Law & Governance	Financial Resources	Programmes & Projects	Performance	ICT DPO	People Mgt	Health & Safety		
Strategic Risk Areas												
Dynamic Smart City												
More and better jobs											X	
More and better housing											X	
More local people with better qualifications and skills											X	
A stronger City Centre with more businesses, housing and cultural opportunities											X	
A lower carbon City with greater digital connectivity for all											X	
Healthy Smart City												
Access to equitable opportunities and life chances											X	
Reduced health inequalities enabling more people living healthier longer lives											X	
People enjoying independent lives											X	
Cleaner and more attractive City and neighbourhoods											X	
A City with great transport and travel links											X	
Vibrant Smart City												
More residents participating in their communities											X	
More people visiting Sunderland and More residents informing and participating in cultural events programmes and activities											X	
More people feeling safe in their homes and neighbourhoods											X	
More resilient people											X	
Enabling												
Finance											X	
Partnership Working											X	
Corporate Risk Areas												
Strategic Planning							X				X	
Commissioning			X								X	
Service Delivery Arrangements			X								X	
Partnership/Integrated Working			X								X	
Procurement											X	
Relationship/Contract Management											X	
Legality			X	X							X	
Risk Management											X	
Corporate Performance Management							X				X	
Financial Management			X		X						X	
Income Collection											X	
Capital Programme Management					X						X	
People Management			X						X	X	X	
Health and Safety			X						X	X	X	
ICT Infrastructure								X				
Cyber Security								X			X	
Information Governance/Security			X					X			X	
Business Continuity Management			X							X		
Programme and Project Management			X			X					X	
Asset Management										X	X	
Anti-Fraud and Corruption			X								X	
Council Owned Companies												
Sunderland Care and Support Ltd.					X						X	
Together for Children Sunderland Ltd.					X					X	X	
Siglon LLP					X						X	

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

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	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	People Management	Business Continuity	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.		4	2	8	4	1	4	Deliver better integrated care through promotion and support for self-care, 98% of people 18+ in the city live independently (without social care services) based on mid-year population estimates. Continue to investigate the use of technology to support the independence of older people. Delivery of the Assistive Technologies Test Bed programme- 1,228 homes had the technology by the end of March 2021. The greater reach and capacity of new connectivity being developed through our joint venture with BAI Communications will enable existing deployment of assistive technologies for vulnerable people to scale significantly. The integration of health and social care is being addressed through the All Together Better Alliance. The Sunderland Voluntary Sector Alliance has been launched to build on the outstanding contribution made by the city's voluntary and community sector in supporting communities during the pandemic. It will improve support for the sector and expand their role, working with partner organisations across the city to meet the city's strategic needs. Using local intelligence with our Partners, through the Aging Well Delivery Board. We have identified key areas of targeted work that will contribute to reducing falls, and the impact of falls, on our residents. Continue to work with the Association of Directors of Adult Social Services ADASS on market sustainability for social care. Arrangements in place through ADASS to manage the Social Care Reform Agenda	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	Environmental issues are a concern to residents and are therefore included in the Neighbourhood Improvement Plans. CLEAN and GREEN promotion introduced supported by the Sunderland Echo encouraging volunteers to tackle local environmental issues. Implement a Waste Management Strategy to tackle environmental issues. A new Enforcement Delivery model has been introduced with a greater focus on Environmental issues. To encourage communities to take greater responsibility for their environment, we are issuing sanctions where appropriate following enforcement investigations.	Executive Director of City Development, Executive Director of Health, Housing & Communities																	
	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 Covid and other 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	Review the Transport Movement Plan for Sunderland to reflect new opportunities. Plans have been agreed to revamp Sunderland's Central Train Station, beginning with the demolition of the current south entrance. STC3 link road from Northern Spire to City Centre opened November 2021. High Level Footbridge design in development. A submission has been made to the Levelling Up Fund LUF for a multi million pound investment in green travel across the city	Executive Director of City Development																	
VIBRANT SMART	More people visiting Sunderland and More residents informing and participating in cultural events programmes and activities.	R16	The approach to developing creative and cultural businesses is not integrated.	Partners have varied roles and engage at different levels with the diverse range of individuals / businesses. Adverse Impact of Covid restrictions on cultural businesses.	Fail to enhance the reputation, attractiveness, vibrancy and economic development of the City.	Creative Industries Action Plan, City Plan, Vibrancy Board.		3	2	6	2	2	4	Vibrancy Board set up. Board to develop Strategy and Delivery Plan to address areas below. Deliver an up-dated Creative Industries Action Plan to support new enterprises and innovation, as well as stronger, more successful businesses. Provide clear development paths and support for emerging artists and cultural businesses. Many creative and cultural businesses have been adversely impacted by Covid with many unable to open. Grants have been awarded to support creative and cultural businesses	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, Vibrancy Board.		3	2	6	3	2	6	Implement Neighbourhood Plans, which incorporate input from residents. Develop and implement a Volunteers Strategy. Strategy completed and Volunteer Sunderland website launched. Community Support Workers are now in post supporting the Sunderland Voluntary Sector Alliance and external funding has been secured to grow its capacity across the city.	Executive Director of Health, Housing & Communities																	
	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, Vibrancy Board.		3	2	6	3	1	3	Develop a wider Vibrancy Partnership to promote new events and increase cultural activity. Vibrancy Board set up. Board to develop a Delivery Plan to promote Sunderland as a cultural destination of choice. Tourism offer and City Brand being reviewed. Covid 19 has resulted in reduced visitor numbers and disruption to cultural activities, but online events and exhibitions have been created. Sunderland continues to promote its tourist attractions to take advantage in the upsurge in "staycations" In July 21, a new tourism campaign was launched. The campaign is named 'City of Surprises', aiming to raise Sunderland's profile as a destination of choice this summer and to support the economic recovery of the city. A Tourism recovery plan is now in place to promote and sustain the return of visitors and participation of residents in cultural events, programmes and activities. A new Cultural Strategy is in development to address the Council's Cultural priorities and the Cities Cultural priorities. A cultural regeneration team has been established to take forward the Council's priorities	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	Support Partners to improve community safety and maintain high levels of feelings of safety for all. Criminal activity to be disrupted through increased Policing and other Agency intervention and enforcement activity. Promote Sunderland more positively as a City that welcomes all, with neighbourhoods that are attractive, safe, inclusive and cohesive. Targeted engagement to be undertaken with communities to establish the cause of concerns and actions that can be taken to reduce the level of concern. Sunderland Domestic Abuse Safe Accommodation Strategy agreed (see R20 below) Data released February 2022 shows that 95% of residents who took part in the survey said they felt very or fairly safe living in their neighbourhood. Crime for April 2021 to December 2021 (at 20,842 incidents) has decreased when compared with the same period in the previous year (14,680 incidents).	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	Domestic Abuse Local Partnership Board, developing a strategy for the provision of accommodation-based support. Cabinet (Dec21) approved the Sunderland Domestic Abuse Safe Accommodation Strategy, which aims to improve the lives of victims, survivors and their children describing how safe accommodation and support for domestic abuse victims-survivors will be provided over the next three years. Currently obtaining views from residents and survivors to develop a wider strategy to protect people from Domestic Abuse (not just the provision of accommodation as required by Statute)	Executive Director of Health, Housing & Communities																	
EMAILING	More resilient people.	R21	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 through redundancies and reductions in income. Sharp rises in the cost of living, including food, gas, electricity and fuel.	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	1	4	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. Launched an affordable credit solution for all residents and staff. Re commissioned advice provision for benefits, debt, employment and housing across neighbourhoods. Developed and expanded 'Making your money go further' toolkit. Adopted a standard financial assessment by the council and key partners and a coordinated approach to debt support. Implemented a financial resilience service to support the new Council Housing Service in creating sustainable tenancies. Reviewed Adult Learning specifications to reflect a better aligned curriculum with meaningful progression pathways for learners to achieve their work and life goals. Increased resident participation in digital opportunities. Increased resident participation in digital opportunities. During the first few months of the pandemic the use of foodbanks more than trebled and high usage has continued throughout 2020/21. Since August 21 figures have increased again with the December figure being the highest seen in the last three years and the quarterly figure increasing from 3,919 residents supported in Quarter 2, to 5,908 residents supported in Quarter 3. Foodbanks and crisis food providers are being given additional support to assist with the additional winter pressures. An Internal Task Group has been established to review how further support can be provided, working with Partners and the Voluntary Sector in response to the cost of living crisis. Score increased to 4x4 = 16	Executive Director of Health, Housing & Communities																	
	Finance.	R22	Aspirations to develop the City Plan may be restricted by financial pressures.	Uncertainty as to the level of Revenue Support Grant (4 year agreement ended). Progressive reduction in Government funding since 2010. Brexit. Cancellation of European Funding with UKSPFF only released spring 2022. Changes to funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc.	Inability / delay in addressing Sunderland's challenges / priorities. Strategic financial plans do not align to Council priorities, objectives and direction as set out in the City Plan.	Medium Term Financial Strategy, Budget Plan, City Plan.		4	3	12	4	1	4	The 2022/23 budget and MTFP was approved by Council in March 2022. 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) Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position – the Let's Talk approach – being used with residents, supplemented with the usual engagement with Trade Unions, Schools Forum and business community.	Executive Director of Corporate Services																	
	Partnership Working.	R23	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.	Executive Director of Corporate Services																	

CORPORATE RISK PROFILE

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

Current Score
(July 2022)

Target Score

	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating
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 Covid 19 on the community.	Fail to contribute to the welfare and future prosperity of our communities.	COG. JLT. City Plan. Covid 19 Risk Register.	4	1	4	City Plan driven by required outcomes and commissioning activity. Refresh of the JSNA	Executive Director of Corporate Services	Risk and Assurance Team Internal Audit	4	1	4
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.	4	2	8	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.	Executive Director of Corporate Services	Risk and Assurance Team Internal Audit	4	1	
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.	JSNA. 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, using the intelligence team.	All Assistant Directors/Directors	Governance questionnaire Internal Audit Corporate Performance Management	4	1	4
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 Covid 19.	Commissioning priorities and objectives are not achieved so community needs not being met. Ineffective use of limited resources.	City Plan. Service Plans. Covid 19 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 Governance questionnaire Internal Audit	4	1	4
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 its 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	Governance questionnaire Internal Audit	3	1	3
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. 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
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 the Covid 19 and lockdown measures	Required outcomes for customers not achieved. Reputational damage. Wasted resources.	Service Planning Process. Performance management arrangements. Transformation Programme. Covid 19 Risk Register.	4	3	12	Performance in relation to the delivery of outcomes is regularly monitored.	All Assistant Directors/Directors	Corporate Performance Management Internal Audit Corporate Complaints	4	1	4
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
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 Corporate Complaints	3	1	3
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 Financial Resources to understand the financial performance of their services areas	All Assistant Directors/Directors	Financial Resources Internal Audit	4	1	4
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	3	1	3

Appendix 3

[illegible]

	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	People Mgt	Health and Safety	Business Continuity	Risk and Assurance	Internal audit	External Assurance
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 Covid 19	Unable to achieve City priorities and support communities.	City Plan. Partnership Boards. Partnership Framework.	4	2	8	Performance management arrangements include a review of the achievement of outcomes where partners have some responsibility for delivery. Corporate Partnership arrangements should be reviewed in light of the new City Plan.	All Assistant Directors/Directors	Corporate Performance management Internal Audit	4	1	4	Partnership / Integrated Working										X	X	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	Corporate Performance Management 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 Covid 19 outbreak. 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, specifically as a result of the Covid 19 outbreak. 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	
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					X				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.	Councils 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	X								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. Covid 19 Risk Register.	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	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	Development of the performance management process in relation to delivering the priorities in the City Plan.	Assistant Director of Smart Cities	Corporate performance management Internal Audit	3	1	3	Performance Reporting					X						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.	Executive Director of Corporate Services	Financial Resources	4	1	4	Financial Management			X	X								
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 as a result of the Covid 19 outbreak.	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. Covid 19 Risk Register.	4	3	12	Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position.	Executive Director of Corporate Services	Financial Resources External Audit	3	1	3				X									X
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.	Executive Director of Corporate Services	Financial Resources	3	1	3				X								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.	Executive Director of Corporate Services	Internal audit	3	1	3													

	Risk Areas	Risk Description	Cause	Impact	Current Controls	Impact	Likelihood	Rating	Mitigating Actions	Owner	Source of Assurance	Impact	Likelihood	Rating	Overall Assurance	Management Assurance	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	People Mgt	Health and Safety	Business Continuity	Risk and Assurance	Internal audit	External Assurance																
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.	Assistant Director of Finance	Internal Audit	3	1	3																													
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. Performance Clinics.	3	1	3	Financial performance reporting is aligned to performance reporting to identify any potential inaccuracies or inconsistencies.	Executive Director of Corporate Services	Financial Resources Corporate Performance Management	3	1	3															X		X							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.	Assistant Director of People Management	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	Assistant Director of Finance	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.	Assistant 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.	Assistant Director of Finance	Financial Resources Internal Audit	3	1	3		Income Collection (including CT/NNDR)			X									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. The Covid 19 outbreak has 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.	Executive Director of Corporate Services	Financial Resources Internal Audit	3	2	6																			X										
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.	Executive Director of Corporate Services	Financial Resources Internal Audit	3	1	3																	Capital Programme Management			X							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.	Executive Director of Corporate Services	Financial Resources Internal Audit	3	2	6																													
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 or self isolation due to Covid 19.	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.	Assistant Director of People Management	People Management Internal Audit	3	2	6																	HR Management	X						X			X	X	
R35		Reduction in productivity and morale of workforce.	Increasing workloads. Instability due to ongoing changes. Job insecurity. Increased demand / pressures due to Covid 19.	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. Performance Clinics.	4	2	8	Recognition of reduced capacity. Employees feeling valued and supported.	All Assistant Directors/Directors	Governance questionnaire People Management Internal Audit	4	2	8		X								X		X																	
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. Additional measures due to Covid 19.	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. Corporate Health and Safety Statement of Intent.	4	2	8	H&S Strategy/Policy to be reviewed and revised. Revised Strategy/Policy to be agreed by COG.	Assistant Director of Assurance and Property Services	People Management Internal Audit	4	1	4		Health and Safety							X			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	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	People Mgt	Health and Safety	Business Continuity	Risk and Assurance	Internal audit	External Assurance
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.	4	2	8	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	Head of HR and OD Internal Audit	4	1	4												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. Risk assessments developed for tasks and council buildings for Covid 19 safety arrangements	4	2	8	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	People Management Internal Audit	4	1	4												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. Immitted 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	3	2	6	Continue to monitor compliance with incident reporting arrangements and address any areas for development.	Assistant Director of Assurance and Property Services	People Management Internal Audit	3	1	3												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 more remote working in response to Covid 19.	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. Rapid roll out of laptops, Windows 10 and Microsoft Teams to aid business continuity in response to Covid 19.	4	2	8	The ICT strategy is clearly aligned to the priorities of the Council and the direction of travel for the provision of Council Services.	Assistant Director Smart Cities	ICT Internal Audit	4	1	4		X								X	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.	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.	Assistant Director Smart Cities All Assistant Directors/Directors	ICT Internal Audit Business continuity officer	4	1	4		X								X	X	X	
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.	Assistant Director Smart Cities	ICT Internal Audit	4	2	8									X		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.	Executive Director of Corporate Services All Assistant Directors/Directors	Data Protection Office Governance questionnaire Internal Audit	3	1	3		X	X								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	4	1	4		X								X	X	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								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	Law and Governance	Financial Resources	Programmes and Projects	Performance	ICT	People Mgt	Health and Safety	Business Continuity	Risk and Assurance	Internal audit	External Assurance
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	3	1	3	Programme / Project Management	X			X						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	3	9	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 fulfill 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.	4	2	8	The Council's Asset Management Plan 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													
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	

Internal Audit coverage

Strategic Risk Profile

Key Risk Area	2018/19 Audits / Opinions		2019/20 Audits / Opinions		2020/21 Audits / Opinions		2021/22 Audits / Opinions		2022/23 Audits / Opinions		Overall Opinion
More and better jobs											
More and better housing					Housing Service Governance Arrangements	M			Housing Regulatory Framework/HRA		
					Housing Regulatory Framework	M					
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		
									Carbon Reduction Plan		
Access to the same opportunities and life chances							Taxi Licensing	M			
More people living healthier longer lives							Public Health Grant	S	Health Protection Board		
									Homelessness		
People enjoying independent lives					Rollout of assistive technologies		Adults Safeguarding - MASH	M	Adult Social Care Recovery Arrangements		
					Adults Safeguarding - MASH		Financial Safeguarding - CPAT	S	Business Continuity Arrangements - Assistive Technologies		
					Blue Badges						
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 - Museums		Collections Management	M			
More people feel safe in their neighbourhoods and homes											
More resilient people											
Finance											
Partnership Working			Partnership Arrangements						Partnership Arrangements		

Corporate Risk Profile

Key Risk Area	2018/19 Audits / Opinions		2019/20 Audits / Opinions		2020/21 Audits / Opinions		2021/22 Audits / Opinions				Overall Opinion
Strategic Planning	Service/Business Planning	M							Partnership Arrangements		
	Derwent Hill	S									
Commissioning									Performance Monitoring within Public Health		
Service Delivery Arrangements	Liquid Logic including business processes		Licencing		Financial Safeguarding/CPAT		Financial Safeguarding/CPAT Communications	S	Delivery of Council Restructure		
	Derwent Hill	S	Development Control		Bereavement Services				Planning and Development Control		
			Environmental Services	M	Housing Service Governance Arrangements	M			Delivery of Port Business Plan		
			Delivery of Council Restructure	M	Housing Regulatory Framework	M			Highways Work Programme		
			Liquid Logic - Adults	S	Adults Safeguarding - MASH						

					Blue Badges						
Partnership /Integrated Working			Partnership Arrangements						Partnership Arrangements		
Procurement	Revenue Procurement	S	Revenue Procurement	S			Procurement Strategy	S	Revenue Procurement		
	Use of agency contract	M	Capital Procurement	M			Purchasing Cards	M			
	Catering consortium	M					Charging methodology - Highways	S			
							Use of agency framework	M			
Relationship/Contract Monitoring	Contract Management Arrangements for key contracts	S	Contract Monitoring SCAS	M							
	Contract Management - IAMP consultants	M	Contract Monitoring - Siglion	S							
			Contract Monitoring - Sunderland Homes								
Legality	Delegated Decision Making	M					Compliance with Operating Licence	L	Planning and Development Control		
									Compliance with the Operating Licence		
									Delivery of Environmental Services Action Plan		
	Emergency Planning and Response	S							Compliance with the Operating Licence, Non Environmental Services		
Risk Management	Derwent Hill	S							External Funding		
									Highways Work Programme		
Corporate Performance Management	Performance Reporting - Data Quality	S	Performance Monitoring - City plan				Performance Monitoring - City Plan	S	Performance Management within Housing		
			Delivery of PEER Review Action Plan	S					Performance Management within Public Health		
Financial Management					Wave 3 Rocket Feasibility	S	BACS	S	Local Transport Capital Settlement - Highways Maintenance Needs		
					Disabled Facilities Grant	S	Budget Management	S	Local Transport Capital Settlement - Integrated Transport		
					Local Transport Capital Maintenance / Incentive Needs	S	Payroll		Local Transport Capital Settlement - Incentive Element		
					Local Transport Integrated Transport	S	Accounts Payable	S	Nexus		
	Financial Reporting Arrangements				Nexus	S	Local Transport Capital Settlement - Capital Maintenance	S	Pothole Action Fund		
					Pothole	S	Local Transport Integrated Transport	S	Sunderland A1290 Safety Improvement Scheme Phase 2		
					Cycling to Sunderland		Nexus	S	Disabled Facilities Grants		
	EFA Funding	S		S	Vaux Phase 1		Pothole Action Fund	S	Public Sector Decarbonisation		
	Local Transport Capital Settlement - Capital Maintenance	S	Treasury Management	S	Budget setting	S	Sunderland A1290 Safety Improvement Scheme Phase 1	S	Sustainable Mobility Hub		
	Local Transport Capital Settlement - Integrated Transport	S	BACS	S	Capital Asset Accounting	S	Disabled Facilities Grant	S	Riverside Sunderland Strategic Infrastructure Works		
	Nexus (Combined Authority)	S	Payroll		BACS	S	Disabled Facilities Grant - Additional Monies	S	Hillthorn Business Park Power Supply		
	Pothole Action Fund	S	Accounts Payable	M	Payroll	S	Cycleways	S	Green Homes Grant LA Decarbonisation		
	Sunderland A1290 Safety Improvement Scheme Phase 1	S	EFA Funding	S	Accounts Payable	S	Vaux Phase 1		Vaux LGF		
	Better Care Fund - DFG	S	Local Transport Capital Settlement - Capital Maintenance	S	COVID-19 Compliance and Enforcement Grant	S	SSTC3 Design and Development		SSTC 3 Design and Development	S	
	Vaux Phase 1		Local Transport Capital Settlement - Integrated Transport (Combined Authority)	S			Travel Demand Management	S	External Funding		
	Tall Ships Cultural Programme	S	Nexus (Combined Authority)	S			Travel Demand Management - Top Up Monies	S	BACS		
	Local Transport Capital - National Productivity Investment Fund	S	Pothole Action Fund	S			Home to School/College Transport - Second Half of Spring Term	S	Payroll		
	A19 Ultra Low Carbon Enterprise Zone	S	Local Transport Capital Settlement - Incentive Element	S			Home to School/College Transport - Summer Term	S	Accounts Payable		
	External Funding	S	Better Care Fund - DFG	S			Home to School/College Transport - 2020/21 Academic Year	S	Benefits Overpayment and Recovery		
	Building Maintenance Financial Management	L	Vaux Phase 1						The provision of project promotion and prevention of Better Mental Health Grant Funding	S	
	Payroll	S	Northern Gateway	S					Additional Drug Treatment Crime and Harm Reduction Universal Compnent Grant Funding		
	BACS	S	Local Transport Capital - Highway Maintenance	S							

Income Collection (including CR/NNDR)	Accounts Payable	S	Liquid Logic including business processes	S							
	Liquid Logic including business processes		Pothole Action Fund - Additional Monies	S							
	Derwent Hill	S									
	Cash Receipting	S	Cash Receipting, compliance	S	Business Rates Recovery		Business Rates Recovery	S	Income Collection		
	Accounts Receivable/Periodic Income	S	Council Tax Setting and Billing	S	Business Rates Valuation	S	Council Tax Recovery	S	Accounts Receivable		
	Derwent Hill	S	Accounts Receivable - Recovery	S	Council Tax Valuation	S	Accounts Receivable Recovery and PI	M	Land Charges		
			Council Tax Liability	S	Council Tax Recovery		Housing Rent Collection	M			
			Business Rates setting and billing	S	Accounts Receivable Recovery	S	Income Collection	S			
			Business Rates Liability	S	Cash Receipting	S					
Capital Programme Management	Benefits Realisation		Project Management Benefits Realisation, including capital funding	M							
HR Management	Human Resource Management - updated SAP procedures		HR - SAP Optimisation		Recruitment and Selection		Recruitment and Selection	M	Human Resource Case Management		
	Apprenticeships	S	Port - Effectiveness of Restructure								
			Communications re organisational change	S							
Health and Safety	Corporate Health and Safety Arrangements	M							Port Health and Safety		
ICT Infrastructure	Externally hosted systems	M			ICT Disaster Recovery and Business Continuity		ICT Disaster Recover / Business Continuity	L			
	Intrusion prevention and incident management	M	ICT Asset management	M							
Cyber Security	Intrusion prevention and incident management	M	Cyber Security	M	Cyber Security	M	Cyber Security	M	Cyber Security		
			Mobile Device Management	S					Information Security		
Information Governance/Security	General Data Protection Regulation - Compliance	M	GDPR	M	GDPR	M	GDPR		GDPR		
									Information Security		
	Derwent Hill	S			Civica Upgrade				Archived Records Management		
Business Continuity Management			Update of Directorate plans re new structures	M			Corporate Business Continuity Arrangements	M	Business Continuity Arrangements Arrangements - Assistive Technologies		
									Resilience of Port Management Structure		
Programme/Project Management	Benefits Realisation		Project Management Benefits Realisation, including capital funding	M	ICT Disaster Recovery and Business Continuity		Programme Governance Arrangements - Smarter Cities		Programme Governance Arrangements - Smarter Cities		
Asset Management					Collections Management - Museums		Housing Asset Management	M	Corporate Asset Management Strategy and Compliance		
							Collections Management	M			
Anti Fraud and Corruption	Building Maintenance Financial Management	L	Payroll compliance Testing		Transaction Testing NFI	S	BACS	S	BACS		
	Revenue Procurement	S	BACS compliance testing	S	Blue Badges		Purchasing Cards	M	Income Collection		
	Use of Agency Contract	M	Cash Receipting	S	Mileage Claims	S	Income Collection	S	Accounts Receivable		
	Payroll compliance testing	S	AR Recovery	S	Testing on grants issued re Covid-19	S	Accounts Receivable Recovery and PI	M	Accounts Payable		
	BACS	S	ICT Asset Management	M	BACS	S	Accounts Payable	S	Land Charges		
	Accounts Payable	S	Council Tax Setting and Billing	S	Cash Receipting	S	Business Rates Recovery	S	Benefits Overpayment and Recovery		
	Cash Receipting	S	Council Tax Liability	S	Accounts Receivable Recovery	S	Council Tax Recovery	S	Revenue Procurement		
	Accounts Receivable/Periodic Income	S	Accounts Payable	M	Accounts Payable	S	Housing Rent Collection	M	Payroll		
	Derwent Hill	S									
	Refuse Collection	S									
Schools	14 schools in the plan, 15 completed to date. 12 Substantial, 2 Moderate, 1 limited	S	23 schools in the plan. 21 complete to date. 17 Substantial, 4 Moderate	S	23 schools in the plan, 10 complete to date. 9 substantial, 1 moderate	S	20 schools in the plan, 20 complete to date. 18 substantial, 1 Moderate, 1 Limited	S	19 schools in the plan, 5 complete to date. 4 substantial, 1 moderate	S	
Sunderland Care and Support	Unit Costing		Risk and Assurance Framework		Risk and Assurance Framework	S	Compliance with Financial Procedures in establishments	S	Compliance with Financial Procedures in Establishments		
	Risk and Assurance Framework		DPO Checks	S	DPO checks	S	ICT Security within establishments	S	Business Continuity Arrangements		
	Information Governance/GDPR	M	Unit Costing		Security of service users cash in transit	S	DPO Checks	S	Arrangements		
	Compliance with Financial Procedures in Establishments	M	Compliance with financial procedures in establishments	S	Compliance with financial procedures in establishments		Workforce planning, resilience and wellbeing		DPO Checks		
			Business Continuity (Telecare)	L	Collection of rental income	M			Workforce planning, resilience and wellbeing		
			Recruitment and DBS Checks	S	Workforce planning and resilience				Transport Arrangements		

Together for Children	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim		
	Budget Monitoring	S	Schools Financial Support Service	S	Administration Support Services	S	Staff Wellbeing		Business Continuity Planning		
	HR management / recruitment / agency workers / performance	S	Performance Management - Data Quality	S	Complaints Procedure		Next Steps		Holiday and Activity Fund		
	Information Governance/GDPR	L	Purchase cards	M	Information Governance/GDPR		Nook Lodge - Compliance with Financial Procedures in Establishments	S	Interrupted Educational Pathways		
	Next Steps	S	Achievement of cost savings		HR Case Management	M	Procurement of Independent Providers - Residential		National Assessment and Accreditation System Grant Claim	S	
	Compliance with Financial Procedures within Establishments	S	Legal services		SEND Financial Framework	S	Counter Fraud	M	GDPR		
			Designated Officer	S			National Assesment and Accreditation System Grant Claim	S	Staff Wellbeing		
	Liquid logic		Liquid logic	M	Purchase Cards	M					
Siglion LLP			Governance Arrangements	M	Contract/relationship management		Financial Management	S	GDPR		
					Performance Management		Contract/relationship management	M	Risk Management Arrangements		
					Procurement	M	Disposal of property		Project Management Arrangements		
					Operational Asset Management	S	Performance management	S			
					Financial Management						

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2022/23

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	1) All key risk areas covered over a 3 year period	1) On target
	2) Percentage of draft reports issued within 15 days of the end of fieldwork	2) 90%	2) Ahead of target – 100%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	3) 85%	3) Ahead of target – 100%
Quality			
Objectives	KPI's	Targets	Actual Performance
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure actions agreed by the service are implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant 90% for medium risk	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	1) Overall average score of better than 1.5 (1=Good and 4=Poor)	1) On target – 1.0 to date
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) No recent surveys undertaken
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	0 compliments 0 complaints

AUDIT AND GOVERNANCE COMMITTEE

22 July 2022

ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2021/22

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2021/22 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by this committee.

2. Role of the Committee

- 2.1 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its role is to:
- approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be);
 - consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
 - be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
 - receive, consider and monitor reports on treasury management policy, strategy and practices.

3. Matters Considered

- 3.1 The Committee met four times during the year to consider its business. All appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings were the Executive Director of Corporate Services, Assistant Director of

Assurance and Property Services, Chief Accountant, Senior Manager - Assurance and the Council's External Auditors.

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

- a) Members were provided with an update on the City plan and the assurance and review arrangements in place. Members were pleased that key partners and stakeholders across the City were being involved in the review.
- b) The Committee endorsed the Risk and Assurance Map for 2021/22 which sets out the key risk areas for the Council, the assurance that would be gathered in relation to them and where the assurance would be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for the year.
- c) Progress reports in relation to the Risk and Assurance Map were presented to the Committee. These provided details of the level of assurance for the strategic and corporate risk areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies.
- d) Specific key issues were highlighted within the Risk and Assurance Map update reports for members to consider further, members raised queries, including, work in relation to the strategic risk areas/City Plan, changes to risk scores and the actions being taken address them, how the risk scores are evaluated for new risks and arrangements for making the Covid 19 business grant payments.
- e) External Auditors provided progress reports to each meeting, the Annual Audit Letter, Audit Completion Report, and the Review of the Council's arrangements for securing value for money. The External Auditor also presented their Audit Strategy Memorandum setting out their work for the coming year.
- f) The results of the Annual Governance Review for 2020/21 were presented, which summarises the overall governance arrangements in place within the Council, and made recommendations for further improvement. The head of internal audit's opinion on the Council's internal control environment was positive. The resultant Annual Governance Statement highlighted the good corporate governance arrangements in place and was approved by the Committee and included within the Council's Statement of Accounts.
- g) The annual Statement of Accounts 2022/21 (subject to audit) was issued to the Committee members and published online on 12th July 2021 in line with

the extended statutory deadline. The audited accounts were presented at the September 2021 Committee meeting. The External Auditor commented positively on the arrangements the Council has in place with regard to the production of the accounts and the good relationship which allowed the audit to be completed within the timeframe.

- h) There is now a requirement to undertake an annual assessment of the Council's status as a going concern in line with the 2020/21 CIPFA/LASAAC Code of Practice. The Committee received the first report in relation to this which sets out the evidence relied upon to make the assessment.
- i) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee asked questions in relation to various aspects of the reports, including the potential impact of the increase in inflation, interest rates and utility prices, and the addition of new institutions to the lending list.
- j) The Committee received the Data Protection Annual Report 2020/21 which is reported to the Committee on an annual basis.

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

- *Risk and Assurance Map* – The Committee closely monitored activity in relation to changes to the strategic risk scores, particularly regarding the priority to reduce carbon emissions.
- *Treasury Management* – The Committee has received regular updates regarding the Council's performance in relation to Treasury Management. Members questioned the potential impact of increases in inflation and interest rates.
- *Going Concern* - The Committee has received assurance that an assessment has confirmed the Council's status as a going concern.

3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate, including the impact of the Covid pandemic.

4. Recommendation

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

AUDIT AND GOVERNANCE COMMITTEE

22 July 2022

TREASURY MANAGEMENT – REVIEW OF PERFORMANCE 2021/2022

Report of the Executive Director of Corporate Services

1 Purpose of the Report

- 1.1 To report on the Treasury Management borrowing and investment performance for 2021/2022.

2 Description of Decision (Recommendation)

- 2.1 The Committee is requested to note the Treasury Management performance for 2021/2022.

3 Introduction

- 3.1 This report sets out the annual borrowing and investment performance for the financial year 2021/2022 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by Council on 3rd March 2021. The Treasury Management Strategy comprises the approved Council strategy for borrowing and its policies for managing its investments (which give priority to the security and liquidity of the funds over yield of those investments).
- 3.2 The Treasury Management Policy Statement and Strategy complied with best practice, including the Ministry of Housing, Communities and Local Government's 'Statutory Guidance on Local Government Investments' updated in February 2018 and also incorporates the recommendations included in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, updated in December 2017.

4 Review of Performance 2021/2022

Summary

- 4.1 The performance of the Council's Treasury Management function continues to maximise financial savings. The average interest rate of the Council's borrowing at 2.55% is low and the Council's treasury management advisor reports this compares favourably with their other local authority clients as does the 0.22% rate of return achieved on investments.
- 4.2 Covid-19 has had a significant impact on financial markets and economic forecasting throughout 2021/2022 and any respite to the uncertainty from the successful rollout of vaccines has been replaced by the global fallout of Russia's invasion of Ukraine in February 2022. Concerns over Europe's reliance on Russia for its oil and gas supplies has sent wholesale energy prices soaring, despite the UK's exposure being less than its European neighbours. Serious supply-side shocks have fed through to

higher energy and food bills placing unprecedented pressure of household incomes with little prospect of this abating in 2022.

Borrowing Strategy and Performance – 2021/2022

4.3 The basis of the agreed Borrowing Strategy was to:

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Council's future borrowing requirement when market conditions were favourable;
- use a benchmark financing rate of 2.60% for long-term borrowing (i.e. all borrowing for a period of one year or more);
- take advantage of debt rescheduling opportunities as appropriate.

4.4 The Borrowing Strategy has been reviewed by this Committee in July and October 2021 and February 2022 and was updated where necessary to reflect changing circumstances. The Borrowing Strategy for 2021/2022 was based upon internal expertise, supplemented with market data, market information and leading economic forecasts provided by the Council's treasury management adviser, Link Asset Services.

4.5 The strategy for 2021/2022 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 2.60% for long-term borrowing was set for 2021/2022 in light of the views prevalent at the time the Treasury Management policy was set in March 2021.

4.6 The BoE Monetary Policy Committee (MPC) voted at its meeting on 16th December 2021 to increase the Base Rate by 0.15% to 0.25%, the first increase in the Base Rate since the historic low of 0.10% announced on 19th March 2020. This was followed by two further increases of 0.25% at its meetings on 3rd February and 17th March 2022 respectively, taking the Base Rate to the pre-virus and post-Global Financial Crisis high of 0.75% with more to come if the MPC switches focus to combating inflation than protecting economic growth.

4.7 The continued surge in Consumer Price Index (CPI) inflation to a new 30-year high of 7.0% in March 2022, is more than three times the BoE target of 2% and despite measures announced by the Chancellor in his Spring Fiscal Statement, we are seeing the biggest squeeze on households' living standards for over 50 years.

4.8 There have been high levels of volatility in the financial markets during 2021/2022. The war in Ukraine has contributed to financial conditions being as tight as after the Brexit vote in 2016. Whilst the economy has proven resilient to the effects of the war in its early stages, this position is likely to change if it becomes a long and protracted conflict. 50-year PWLB interest rates started the financial year in April 2021 at 2.03% (inclusive of the 0.20% discount available to Local Authorities), dropping to 1.49% in August 2021 before reaching a peak of 2.17% on 11th October 2021. From then rates gradually fell to a low of 1.25% on 9th December 2021 before steadily rising to end the financial year at 2.39%.

- 4.9 The table below shows the average PWLB borrowing rates for each quarter in 2021/2022.

2021/2022	Qtr 1 (Apr - June) %	Qtr 2 (July – Sept) %	Qtr 3 (Oct – Dec) %	Qtr 4 (Jan – Mar) %
SONIA Overnight Rate	0.05	0.05	0.07	0.39
1 year	0.81*	0.87*	1.11*	1.71*
5 year	1.18*	1.15*	1.47*	2.01*
10 year	1.68*	1.52*	1.75*	2.19*
25 year	2.14*	1.90*	1.99*	2.38*
50 year	1.94*	1.68*	1.68*	2.09*

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

- 4.10 In line with discussions with the Council's economic advisors, the Council took advantage of the low borrowing rate troughs that have occurred and has taken out £100 million of new borrowing during the financial year. These rates were considered opportune, and the Treasury Management team continues to closely monitor PWLB rates in line with future capital programme requirements. The new borrowing is summarised in the following table.

Duration	Date of the transaction	Start	Matures	Rate %	Loan Amount £m
50 years	30/11/2021	07/12/2021	07/12/2071	1.40*	100.0

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

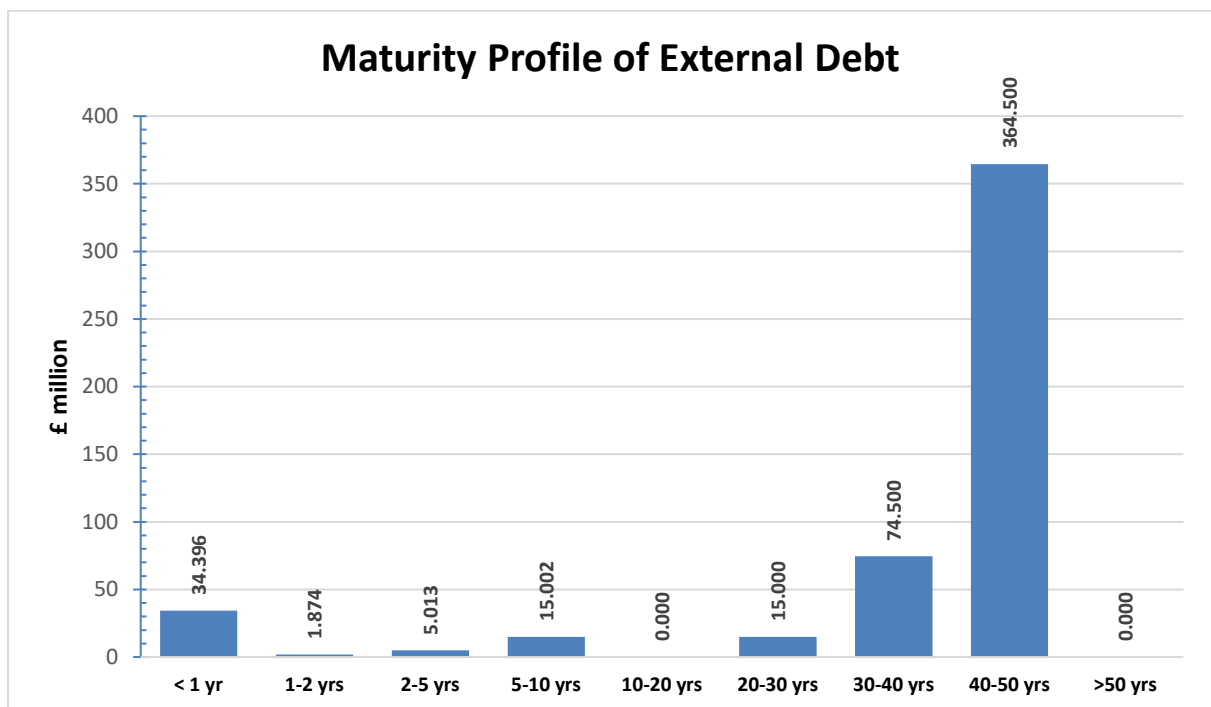
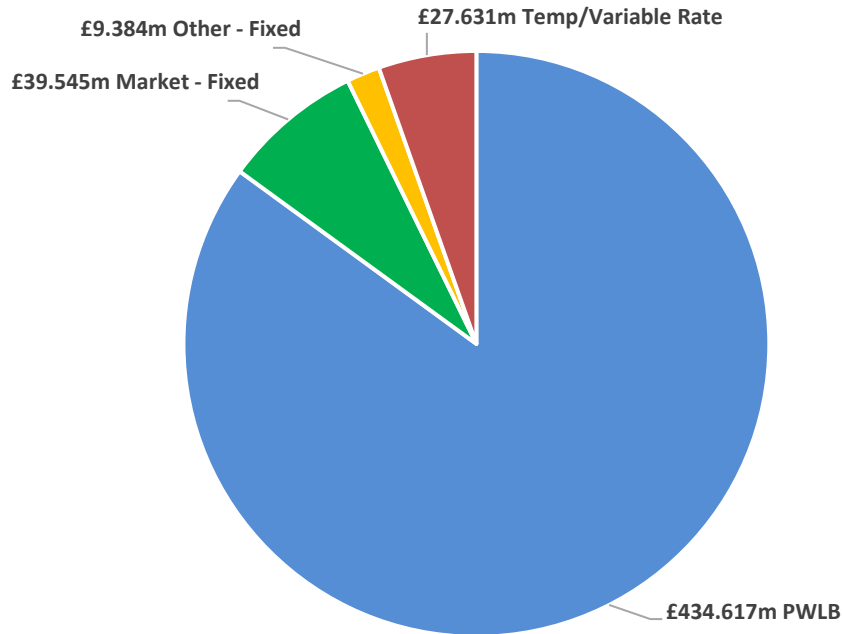
- 4.11 The Treasury Management Strategy for 2021/2022 included provision for debt rescheduling, whilst accepting that because of the very low underlying rate of the Council's long-term debt it would be difficult to refinance long-term loans at interest rates lower than those already in place. As expected, rates have not been sufficiently favourable for debt rescheduling in 2021/2022.
- 4.12 The Council's borrowing portfolio position at 31st March 2022 is set out below.

Borrowing Summary at: 31 March 2022			
	<u>Principal</u>	<u>Interest</u>	<u>Ave rate</u>
<u>Fixed</u>			%
PWLB	434,616,667	11,274,421	2.59
Market - Fixed	39,545,000	1,742,323	4.41
Other - Fixed	9,383,570	55	0.00
	483,545,237	13,016,799	2.69
<u>Variable</u>			
Temporary/Other - Variable	27,631,243	38,811	0.14
	27,631,243	38,811	0.14
TOTAL BORROWING:	511,176,480	13,055,610	2.55
TOTAL INVESTMENTS:	298,790,000		

(All Managed In-house)

NET POSITION:

(212,386,480)



4.13 The Council had a net borrowing position of £212.386 million representing the difference between gross debt and total investments. The net borrowing position is expected to widen (increase) further over the next few years as the Council will need

to take out additional borrowing to fund its capital programme whilst earmarked revenue reserves will be used to fund agreed programmes.

Prudential Indicators – 2021/2022

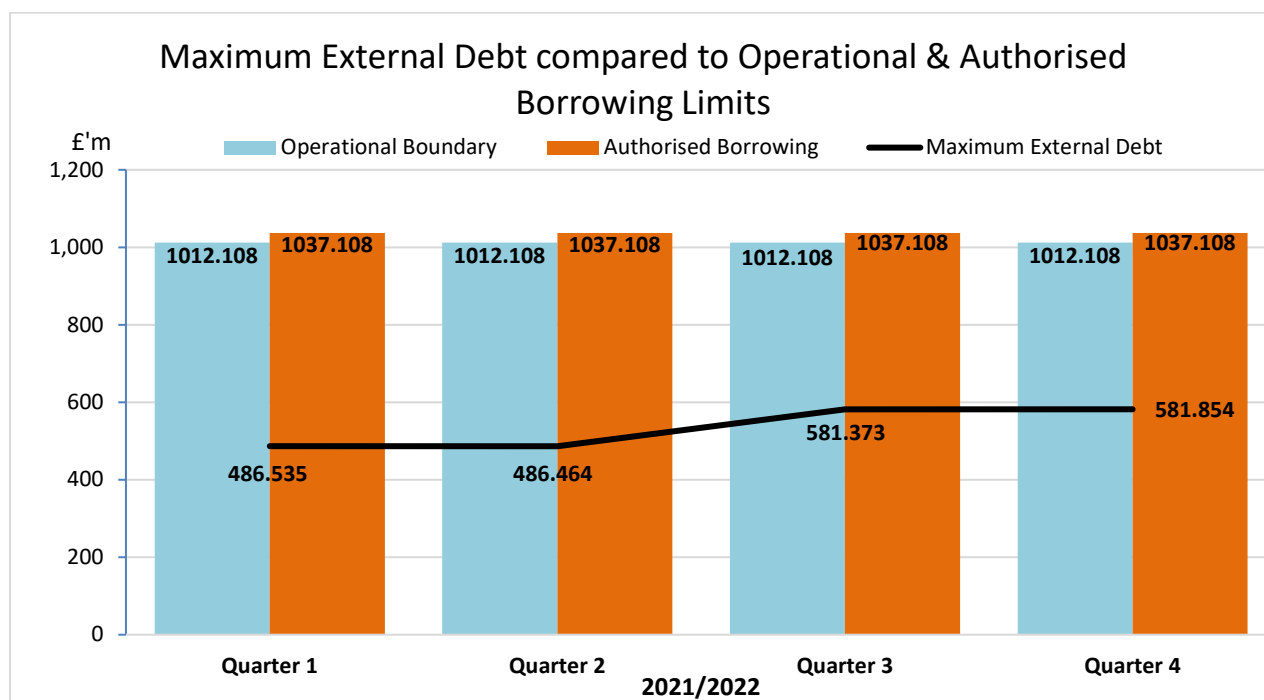
- 4.14 All external borrowing and investments undertaken in 2021/2022 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all other Prudential Indicators as follows:
- 4.15 The statutory limit under section 3(1) of the Local Government Act 2003 (known as the Authorised Borrowing Limit for External Debt) was set by the Council for 2021/2022 as follows:

	£m
Borrowing	911.927
Other Long-Term Liabilities	125.181
Total	<u>1,037.108</u>

The Operational Boundary for External Debt for 2020/2021 was set as follows:

	£m
Borrowing	886.927
Other Long-Term Liabilities	125.181
Total	<u>1,012.108</u>

The Council's maximum external debt in respect of borrowing in 2021/2022 was £581.854 million and is within the borrowing limits set by both of these indicators.



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

Prudential Indicators	2021/2022	
	Limit	Actual
P9 Maturity Pattern Under 12 months 12 months and within 24 months 24 months and within 5 years 5 years plus A lower limit of 0% for all periods P10 Upper limit for total principal sums invested for over 365 days	Upper Limit 50% 60% 80% 100% £75.0m	8.89% 1.80% 1.34% 91.93% 0

5 Investment Strategy and Performance - 2021/2022

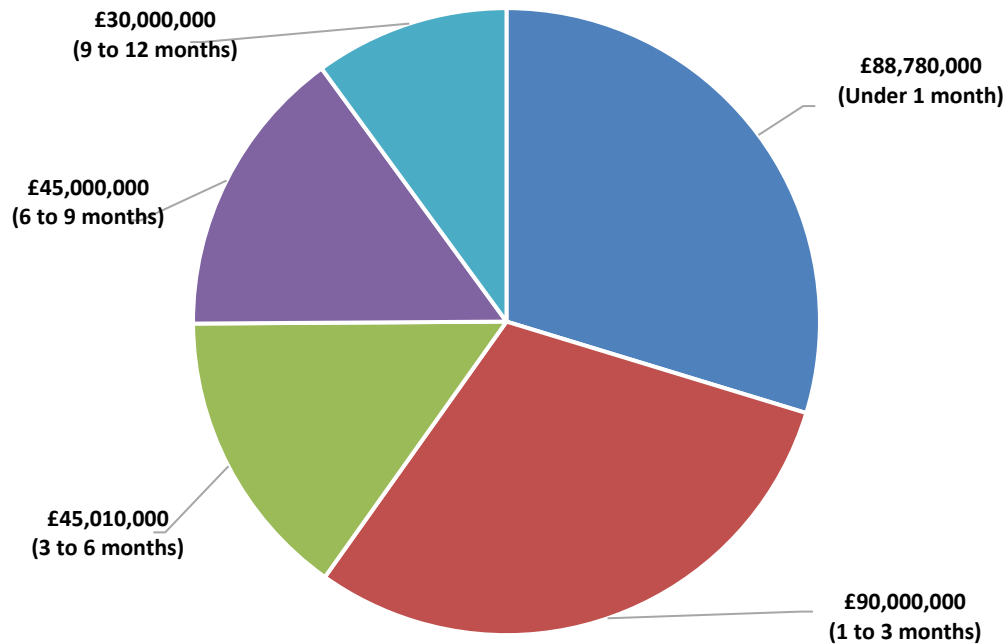
5.1 The Investment Strategy for 2021/2022 was approved by Council on 3rd March 2021. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

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

5.2 At 31st March 2022, the funds managed by the Council's in-house team amounted to £298.790 million and all investments complied with the Annual Investment Strategy.

Investment Summary at 31 March 2022					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
Call Accounts:					
NatWest SIBA	Overnight	6,680,000	0.01		Call
Prime MMF	Overnight	38,000,000	0.50		Call
Aberdeen Liquidity Fund	Overnight	44,100,000	0.51		Call
Santander 95 Day Notice	95d Notice	25,000,000	0.25		95 day
Lloyds 95 Day Notice	95d Notice	10,000	0.05		95 day
Sub-total:		113,790,000			
Fixed Term Deposits:					
SMBC	63 days	20,000,000	0.880	21-Mar-22	23-May-22
Santander UK Plc	181 days	20,000,000	0.300	26-Nov-21	26-May-22
Standard Chartered Bank	182 days	20,000,000	0.280	10-Dec-21	10-Jun-22
Yorkshire Building Society	182 days	30,000,000	0.250	10-Dec-21	10-Jun-22
Standard Chartered Bank	184 days	20,000,000	1.420	21-Mar-22	21-Sep-22
Yorkshire Building Society	273 days	15,000,000	1.230	07-Feb-22	07-Nov-22
Goldman Sachs Int Bank	364 days	30,000,000	0.770	10-Dec-21	09-Dec-22
Goldman Sachs Int Bank	358 days	10,000,000	1.505	08-Feb-22	01-Feb-23
Goldman Sachs Int Bank	364 days	20,000,000	1.525	08-Feb-22	07-Feb-23
Sub-total:		185,000,000			
TOTAL:		298,790,000			

Investment Liquidity:



- 5.3 The table below shows the return received on these investments compared with the benchmark SONIA (Sterling Overnight Index Average) rate, which the Council uses to assess its performance. The 7-Day LIBID (London Interbank Bid) rate previously used by the Council ceased being published at the end of December 2021 and the SONIA rate is the closest comparable rate.

	2021/2022 Return %	2021/2022 Benchmark %
In-house Managed Funds	0.22	0.14

- 5.4 All investments placed in 2021/2022 have been made in accordance with the approved Investment Strategy and comply with the Criteria and the Approved Lending List approved by Council on 3rd March 2021.
- 5.5 The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the benefit of the Council. As reported during the year, the rate of return available on investments has remained at very low levels and the Council has held higher than normal levels of cash balances to support its response to the Covid-19 pandemic.
- 5.6 Due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management advisers is to continue to restrict investments to shorter term periods.
- 5.7 As members will be aware, the regular updating of the Council's Authorised Lending List and Criteria is required in the light of financial institution mergers and changes in institutions' credit ratings. Changes made during 2021/2022 have been reported to members previously and the latest Lending List and Criteria are included in the

Treasury Management First Quarterly Review 2022/2023 report appearing elsewhere on today's agenda for information.

6 Reason for Decision

6.1 To note the performance for 2021/2022.

7 Alternative Options

7.1 No alternatives are submitted for consideration

AUDIT AND GOVERNANCE COMMITTEE

22 July 2022

TREASURY MANAGEMENT – FIRST QUARTERLY REVIEW 2022/2023

Report of the Executive Director of Corporate Services

1. Purpose of Report

- 1.1 To report on the Treasury Management performance to date for the first quarter of 2022/2023.

2. Description of Decision (Recommendations)

- 2.1 The Committee is requested to:
- Note the Treasury Management performance during Quarter 1 of 2022/2023 (Appendix A).
 - Note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

3. Introduction

- 3.1 This report sets out the Treasury Management performance to date for the first quarter of the financial year 2022/2023, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

4. Summary of Treasury Management Performance for 2022/2023 – Quarter 1

- 4.1 The Council's Treasury Management function continues to look at ways to maximise financial savings and increase investment returns to the revenue budget, whilst maintaining a balanced risk position. Public Works Loan Board (PWLB) rates have gradually risen since the start of the financial year but continue to be volatile. In respect of borrowing, due to delays in capital programme expenditure and some temporary use of reserves no new borrowing has been required to date during 2022/2023 but the position continues to be monitored closely.
- 4.2 No refinancing of debt has been possible in 2022/2023 during the period as rates have not been considered sufficiently favourable. The Council's average interest rate on borrowing is low, currently 2.54%, 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 advice 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 of its 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 £1,082.658m for 2022/2023. The Council's maximum external debt during the financial year to 30th June 2022 was £573.781m and is within this limit. More details of all of the Treasury Management Prudential Indicators are set out in Section 2 of Appendix A for information.

- 4.4 The Council's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Council.
- 4.5 As at 30th June 2022, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 1.02% compared with the benchmark SONIA (Sterling Overnight Index Average) rate of 0.89%. Performance is above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council, in what remains a very challenging market.
- 4.6 More detailed Treasury Management information is included in Appendix A for Members' information.
- 4.7 The regular updating of the Council's authorised lending list is required to take into account financial institution mergers and changes in institutions' credit ratings since the last report. The updated Approved Lending List is shown in Appendix C for information.

5. Recommendation

- 5.1 Members are requested to note the Treasury Management performance for the first quarter of 2022/2023.
- 5.2 Members are requested to note the Lending List Criteria at Appendix B and the Approved Lending List at Appendix C.

Appendix A

Detailed Treasury Management Performance – Quarter 1 2022/2023

1 Borrowing Strategy and Performance – 2022/2023

- 1.1 The Borrowing Strategy for 2022/2023 was reported to Cabinet on 8th February 2022 and approved by full Council on 2nd March 2022.
- 1.2 The Borrowing Strategy is based upon interest rate forecasts from a wide cross section of City institutions. The view when the Treasury Management Policy and Strategy was drafted was that the 0.25% Bank of England (BoE) Base Rate would rise in 0.25% increments in June 2022, March 2023, March 2024 and March 2025 by which time it would stand at 1.25% within the forecast timeframe. PWLB borrowing rates were expected to rise, albeit gently, during 2022/2023 across all periods but could be subject to exceptional levels of volatility.
- 1.3 The Bank of England's (BoE) Monetary Policy Committee (MPC) voted to raise the Base Rate for a fifth consecutive meeting on 16th June 2022, taking it to 1.25%, their highest since the Global Financial Crisis. This reflects their desire to combat inflationary pressures, even at the risk hampering growth, and is reflected in their announcement that they would be alert to indications of further inflationary pressures and would act forcefully in response. They also revised down their April to June growth expectations from +0.1% to -0.3% and now expect inflation to peak at over 11% in October, reflecting the next energy price cap.
- 1.4 Despite increases in the BoE Base Rate, investment rates of return are likely to continue at lower levels. With short-term investment rates forecast to be below long-term borrowing rates, it continues to be likely that some investment balances will temporarily be used to fund long-term borrowing requirements. Such funding is wholly dependent upon market conditions and will be reassessed if the appropriate conditions arise.
- 1.5 Link Asset Services, the Authority's treasury advisors, reviewed their interest rate forecasts in June 2022 in light of continued volatility in the financial markets. They now expect the Base Rate to rise faster and further than previously forecast as the MPC seeks to combat the sharp increase in inflationary pressures. Whilst the financial markets are anticipating the Base Rate will reach 3.50% by April 2023, Link Asset Services more cautiously anticipate it peaking at 2.75% but accept there could be significant upward pressure on this projection.
- 1.6 Link Asset Services forecast the BoE Base Rate will rise to 1.75% by September 2022, 2.25% by December 2022 and peak at 2.75% by March 2023, where it will stay to the end of 2023 before gradually falling to 2.25% by the end of the forecast timeframe in June 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.

1.7 The following table shows the average PWLB rates for Quarter 1.

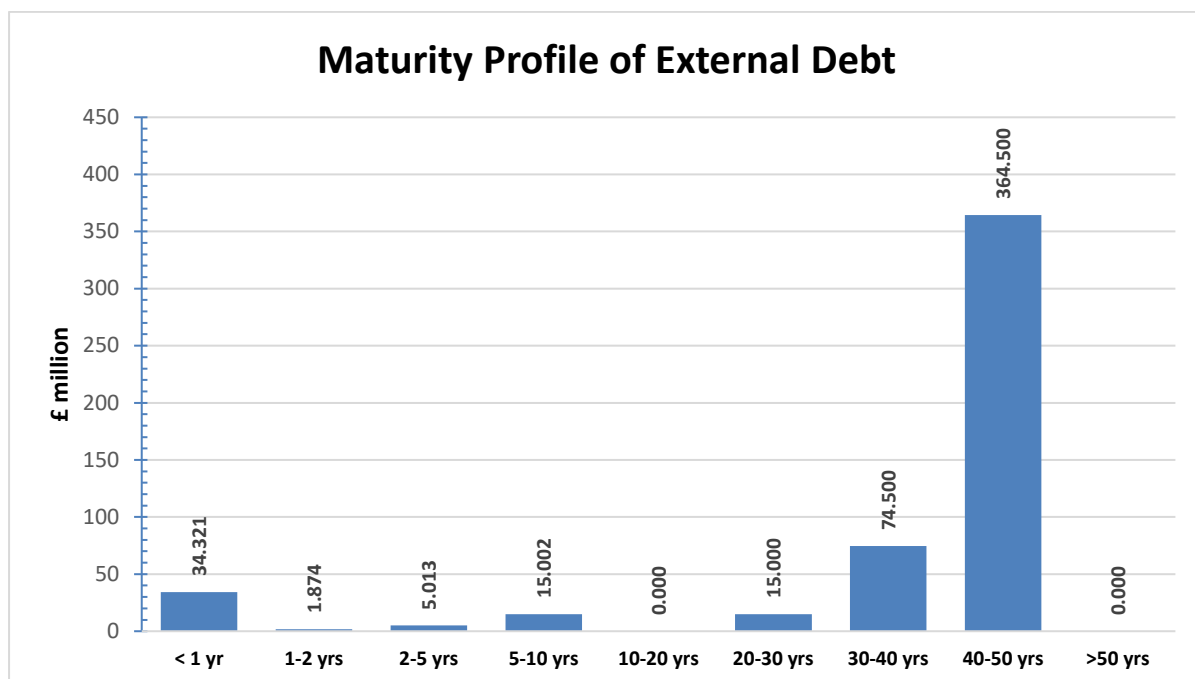
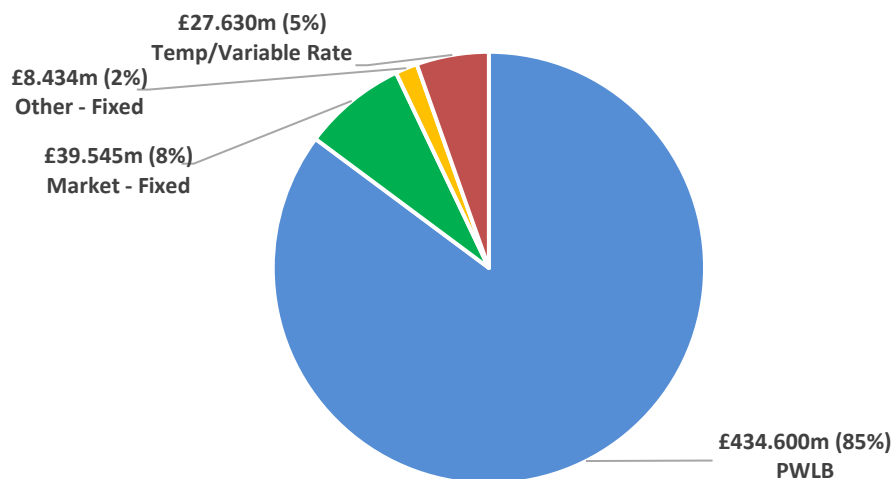
2022/2023	Qtr 1* (Apr - Jun) %
SONIA Overnight Rate	1.06
1 year	2.32*
5 years	2.58*
10 years	2.84*
25 years	3.08*
50 years	2.81*

*rates take account of the 0.20% discount to PWLB rates available to eligible authorities (including the Council) that came into effect on 1st November 2012.

- 1.8 High levels of volatility in the financial markets previous caused by Covid have been replaced in 2022/2023 by the on-going conflict between Russia and Ukraine and uncertainty over how the West will respond through additional sanctions or even military intervention. The war has added to existing inflationary pressures as economies looked to recover from the effects of Covid. Oil, gas, wheat and other mainstream commodities have risen significantly and households face an unprecedented cost-of-living squeeze. Investor cash flow uncertainties and the need to maintain liquidity during these uncertain times continues to depress short-term rates available.
- 1.9 There is expected to be a gradual upward movement in PWLB rates to the end of the 2022/2023 financial year, after which rates are anticipated to plateau before gradually falling. Link Asset Services predict a gradual rise in PWLB rates reaching 3.30%, 3.50%, 3.70% and 3.50% for 5, 10, 25 and 50-year durations respectively by 31st March 2023 before falling by 0.40% to 3.10% to March 2025. 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.
- 1.10 The strategy for 2022/2023 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 3.00% for long-term borrowing was set for 2022/2023 in light of the views prevalent at the time the Treasury Management policy was set in March 2022.
- 1.11 Due to high levels of volatility in the financial markets and delays in capital programme expenditure, no new borrowing has been undertaken in the current financial year to 30th June 2022. The Treasury Management team continues to closely monitor PWLB rates to assess the value of possible further new borrowing in line with future capital programme requirements.

1.12 The Council's treasury portfolio position at 30th June 2022 is set out below:

Borrowing Summary at: 30 June 2022			
	<u>Principal</u>	<u>Interest</u>	<u>Ave rate</u>
<u>Fixed</u>			%
PWLB	434,600,000	11,176,454	2.57
Market – Fixed	39,545,000	1,741,445	4.40
Other – Fixed	8,434,377	126	0.00
	482,579,377	12,918,025	2.68
<u>Variable</u>			
Temporary/Other – Variable	27,629,762	57,502	0.21
	27,629,762	57,502	0.21
TOTAL:	510,209,139	12,975,527	2.54



2 Prudential Indicators – 2022/2023

- 2.1 All external borrowing and investments undertaken in 2022/2023 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all of 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 2022/2023 as follows:

	£m
Borrowing	939.926
Other Long-Term Liabilities	142.732
Total	1,082.658

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

	£m
Borrowing	914.926
Other Long-Term Liabilities	142.732
Total	1,057.658

The Council's maximum external debt in respect of 2022/2023 (to 30th June 2022) was £573.781m 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:

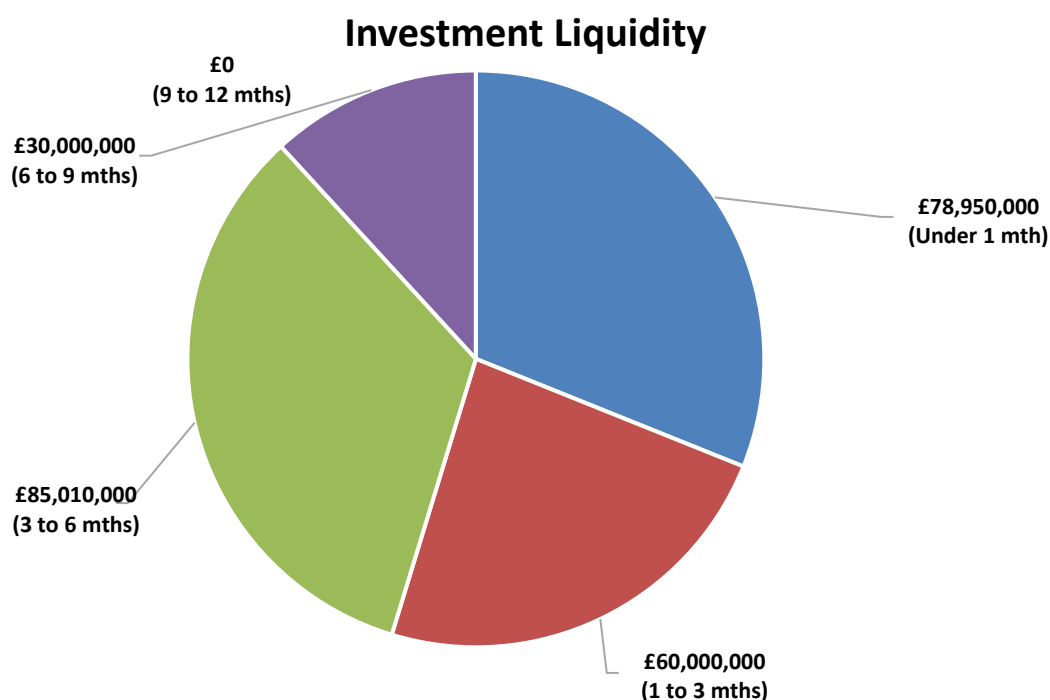
Prudential Indicators		2022/2023 (at 30/06/22)	
		Limit	Actual
P9	Maturity Pattern	Upper Limit	
	Under 12 months	50%	6.74%
	12 months and within 24 months	60%	0.37%
	24 months and within 5 years	80%	0.98%
	5 years plus	100%	91.92%
	(A lower limit of 0% for all periods)		
P10	Upper limit for total principal sums invested for over 365 days	75,000	0

3 Investment Strategy – 2022/2023

- 3.1 The Investment Strategy for 2022/2023 was approved by Council on 2nd March 2022. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:
- (A) The **security** of capital;
 - (B) The **liquidity** of its investments and then;
 - (C) The Council aims to achieve the **optimum yield** on its investments, but this is commensurate with the proper levels of security and liquidity.

- 3.2 As at 30th June 2022, the funds managed by the Council's in-house team amounted to £253.960 million and all investments complied with the Annual Investment Strategy.

Investment Summary at: 30 June 2022					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
Call Accounts:					
NatWest SIBA	Overnight	1,400,000	0.010		Call
Prime MMF	Overnight	31,900,000	1.120		Call
Aberdeen Liquidity Fund	Overnight	45,650,000	1.078		Call
Lloyds Banking Group Ltd	95d Notice	10,000	0.050		95 Day Notice
Sub-total:		78,960,000			
Fixed Term Deposits:					
Standard Chartered Bank	184 days	20,000,000	1.420	21-Mar-22	21-Sep-22
Yorkshire Building Society	273 days	15,000,000	1.230	07-Feb-22	07-Nov-22
SMBC	92 days	40,000,000	1.470	07-Jun-22	07-Sep-22
Standard Chartered Bank	183 days	30,000,000	1.820	07-Jun-22	07-Dec-22
Goldman Sachs	183 days	10,000,000	1.890	07-Jun-22	07-Dec-22
Goldman Sachs	364 days	30,000,000	0.770	10-Dec-21	09-Dec-22
Goldman Sachs Int Bank	358 days	10,000,000	1.505	08-Feb-22	01-Feb-23
Goldman Sachs Int Bank	364 days	20,000,000	1.525	08-Feb-22	07-Feb-23
Sub-total:		175,000,000			
TOTAL:		253,960,000			



- 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.

	2022/2023 Actual to 30/06/22 %	2021/2022 Benchmark to 30/06/22 %
Return on investments	1.02	0.89

- 3.4 Investments placed in 2022/2023 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 remain lower than those achieved in previous years but have started to rise, albeit slowly, following a series of Base Rate increases announced by the Bank of England's Monetary Policy Committee (MPC). In the 6 months since the MPC voted to raise the Base Rate by 0.15% to 0.25% at its meeting on 16th December 2021, there have been four subsequent rises of 0.25% in February, March, May and June 2022. The Base Rate currently stands at 1.25% with the prospect of further increases expected.
- 3.6 Due to the continuing volatility in the financial markets resulting from Covid-19 and the ongoing conflict in Ukraine, the Council has followed advice from our Treasury Management advisers and has operated a more risk adverse strategy by placing funds in shorter dated liquid investments than previously.
- 3.7 Advice also continues that the above guidance is not applicable to institutions considered to be very low risk, mainly where the government holds shares in these organisations (i.e. RBS) and therefore have the UK Government rating applied to them, or separately in respect of Money Market Funds which are AAA rated.
- 3.8 The regular updating of the Council's authorised Lending List is required to take into account financial institution mergers and changes in institutions' credit ratings. Any changes are reflected on the Approved Lending List shown in Appendix C.

Counterparty Criteria

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

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

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

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 new limits are as follows:

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 done 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			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
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	65	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A	A-1	65	365 days
Clydesdale Bank */**	A-	F2	A3	P-2	A-	A-2	50	365 days
Co-Operative Bank Plc **	B+	B	Ba2	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	65	365 days
Top Building Societies (by asset value)								
Nationwide BS (see above)								
Coventry BS	A-	F1	A1	P-1	A+	A-1	50	365 days

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

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
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+		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	
Credit Suisse AG	A-	F1	A1	P-1	A	A-1	50	365 days
UBS AG	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
USA	AAA		Aaa		AA+		50	
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	50	365 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	50	365 days

Strategic Partners

Cabinet, at its October 2020 meeting, endorsed an unsecured investment with Education Partnership North East (EPNE), based on a detailed business plan, in order to ensure the medium-term financial stability of a key partner in the delivery of the City Plan. As at the 30th June 2022 there have been no funds drawdown by EPNE.

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.

AUDIT AND GOVERNANCE COMMITTEE

22 July 2022

COUNCIL'S GOING CONCERN STATUS REPORT

Report of the Executive Director of Corporate Services

1. Purpose of the Report

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

2. Introduction

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

3. Context

- 3.1 The provisions in the Accounting Code on the going concern accounting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities have no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements. As local authorities cannot be dissolved without statutory prescription, it would not be appropriate for the Council's financial statements to be prepared on any other than a going concern basis.
- 3.2 Although the financial context continues to be challenging and uncertain, the Council has a track record of meeting its financial obligations and maintaining financial sustainability. In 2021/2022 the Council delivered an outturn within its original budget. A Council wide approach to the budget, which is priority driven and over a medium-term planning horizon will ensure that this continues to be the case.

- 3.3 The Annual Audit Report from Mazars includes a value for money conclusion, which considers the identification, monitoring and achievement of savings. The Audit Report issued in January 2022 in relation to 2020/2021 noted; "In our audit report issued [in September 2021] we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not identified any significant weaknesses in those arrangements at the time of reporting". That work was subsequently completed, with no significant weaknesses identified.

4. 2021/2022 Year End Position

- 4.1 Council agreed the original revenue budget for 2021/2022 on the 3 March 2021, this was set at £204.880m. The overall service revenue outturn for 2021/2022, including transfers to and from reserves and financing, results in an underspend of £0.037m.
- 4.2 The final capital outturn position is an underspend of £65.201m when compared to the revised budget for the year of £189.414m. The underspend in 2021/2022 has been transferred in to the 2022/2023 and future year budgets, to align with the latest expenditure profile. The Council's Revenue and Capital budget monitoring position is reported on quarterly basis to Cabinet in accordance with the budget framework.
- 4.3 The Statement of Accounts for 2021/2022 have been prepared and the health of the Council's balance sheet has been assessed; the key points are as follows:
- The general fund reserve has remained constant at £12.000m, and this represents 5.86% of the 2021/2022 revenue budget;
 - School reserves have reduced by £0.960m to £9.782m;
 - Useable revenue reserves have increased by £7.768m to £144.200m as at 31 March 2022. It should be noted that £8.202m of this increase relates to the holding of Section 31 Covid NNDR Relief grant funding which will be applied to the Collection Fund in 2022/2023;
 - Long Term Assets have increased from £1,133m to £1,209m due to an increase in the value of Property, Plant and Equipment;
 - Current Assets have increased, from £238m to £326m mainly linked to increased short term investments;
 - Current Liabilities have increased slightly from £137m to £157m mainly due to an increase in receipts in advance and short-term creditors;
 - Long Term Liabilities have increased from slightly £1,043m to £1,061m; and
 - Overall Net Assets have increased from £191m to £317m.
- 4.4 The accounts have also been prepared on a Group basis incorporating Sunderland Care and Support Ltd, Together for Children Sunderland Ltd, Sunderland Lifestyle Partnership Ltd, Siglion LLP, Siglion Holding Ltd and IAMP LLP. The net assets of the group as a whole have increased from £149m to £300m.
- 4.5 A breakdown of the £144.200m revenue reserves as at 31 March 2022 is shown in the table below:

	Balance at 31 March 2022 £m
Earmarked General Fund Reserves - Revenue:	
NNDR Covid Retail, Hospitality & Leisure Relief Reserve	8.202
Medium Term Planning Smoothing Reserve	34.601
Strategic Regeneration Reserve	10.747
Strategic Investment Reserve	5.641
Insurance Reserve	5.470
Street Lighting PFI Smoothing Reserve	4.280
Strategic Initiatives Budget Reserve	4.498
Smart Cities	4.000
Streetscene and open Space	4.198
HCA Stadium Transfer	3.109
Transformation Reserve	2.941
Public Health Grant	4.032
Sandhill Centre PFI Smoothing Reserve	2.151
Education Redundancies Reserve	2.079
Low Level Family Support	4.386
Collection Fund Surplus Reserve	1.533
Housing Benefit Smoothing Reserve	1.459
Airport Smoothing Reserve	1.253
Triathlon	1.200
Riverside Transfer	1.092
Health and Social Care Reserve	9.336
Energy and General Inflation	5.750
Members Recovery Fund	1.000
Carbon Reduction Project Reserve	1.524
Other Earmarked Revenue Reserves	19.718
	144.200

- 4.6 The draft Statement of Accounts includes the Annual Governance Statement which was approved by the Audit and Governance Committee on 29 April 2022. This provided the Committee with evidence of assurance on the Council's internal controls, risk management and governance arrangements. The statement concluded that the Governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

5. Current Position - 2022/2023 Budget

- 5.1 Council agreed the revenue budget for 2022/2023 on 2 March 2022. This was set at £216.914m. The budget was balanced by increasing council tax by 2.99% (1.99% core council and 1% ASC precept), budget savings of £5.821m and a planned use of the Medium Term Planning smoothing reserve of £5.430m.
- 5.2 The Council's expenditure budget continues to be impacted by social care pressures, the effects of the Covid-19 pandemic, inflationary pressure and general global economic conditions. Additional grant support was received from government to mitigate some of the cost pressures, this was supplemented with additional Council resource as part of the 2022/2023 budget setting process.

- 5.3 The budget for the capital programme for 2022/23, as agreed by Council on 2 March 2022, totalled £295.541m.
- 5.4 The revenue and capital budgets will be monitored monthly by Senior Officers and quarterly by Cabinet with any changes to budgets agreed by Council.
- 5.5 The Council's General Fund Reserve stands at £12.000m. This is 5.53% of the original 2022/2023 revenue budget, this is in accordance with the existing policy and is considered prudent and robust given the overall level of reserves.

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

- 6.1 The current MTFP covers the period 2022/2023 to 2025/2026, this estimates a funding gap of £59.237m over the four-year period. Current council tax and business rate growth and inflationary forecasts total £25.506m over the same period. Therefore, the net MTFP shortfall over the four-period indicates savings requirements of £33.731 before use of smoothing reserve.
- 6.2 The MTFP is reviewed at least annually to ensure Members are aware of the latest estimated future financial position of the Council. The last review was considered by Cabinet in February 2022 and approved by Council in March 2022.
- 6.3 The Council's approach to delivering the savings requirement is encapsulated in the Efficiency Strategy 2022/2023 to 2025/2026 approved by Council in March 2022.
- 6.4 In addition to maximising Council Tax and Business Rates growth, there will be a continued and iterative development of a programme of activity to address the gap, taking into account the strategic vision of the Council's role in the future and reflecting the following key principles.

For all service areas this includes consideration of:

- Ensuring resources are targeted on statutory and front-line services and protecting key priority services with a focus on need rather than want;
- Managing demand - implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way;
- Being customer focussed - using robust data and information to understand our resident's needs and maximising opportunities through use of technology for both our customers and internal users, so that people self-serve wherever possible and eliminate waste and duplication;
- Redesigning and reshaping services to deliver required outcomes in a value for money way which maximises productivity;

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

A transformational review process for a proportion of the Corporate Services directorate commenced during 2021/2022 with the aim of delivering, improved services, efficiencies, and financial savings during 2022/2023. Further reviews will continue during 2022/2023.

- 6.5 The Council acknowledges that it will be difficult to continue to deliver substantial savings without significant changes in the way we deliver services and therefore reserves have been maintained to assist transition and mitigate future risk. Reserve levels and use will be kept under review and reported to Cabinet.
- 6.6 Future risks for the Council include inflation and global uncertainties, legacy impact of the COVID-19 pandemic, reductions in central government funding, increasing demand and costs of Adult and Children's Social Care and the uncertainty concerning the Fair Funding Review and the changes to business rate retention. These risks will continue to be monitored by Senior Officers and Cabinet and applied to the MTFP as the areas develop.

7. Conclusion

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

8. Recommendation

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

AUDIT AND GOVERNANCE COMMITTEE

22 July 2022

DATA PROTECTION – ANNUAL REPORT 2021/22

Report of the Data Protection Officer

1. Purpose of Report

- 1.1 The purpose of this report is to provide the Committee with information about the work and findings of the Council's Data Protection Office during the past year.
- 1.2 The Committee is asked to consider the:
 - Data Protection arrangements outlined in this report.
 - Performance against Data Protection standards in the 2021/22 year.

2. Background

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

period. During 2021/22, the DPO team has been part of the Corporate Support Review, which has led to the development of comprehensive new Information, Advice and Guidance materials and training packages to support IAOs and staff, allowing them to 'self-serve' in line with the Thinking Operating Model.

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

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

- 3.1 Data Protection law is underpinned by the two key principles of transparency and accountability.
- The transparency principle means that information must be made available to data subjects about how and why their data is used, and data must be used fairly in accordance with that information. In the course of the year privacy notices provided to customers have been reviewed and reissued to reflect changes to processing arrangements.

- The accountability principle makes the data controller responsible for complying with the UK GDPR. As controllers, the Council and its companies must be able to demonstrate their compliance with the overall requirements of GDPR and the Data Protection Act 2018 through the provision of documented evidence.
 - Each controller is obliged to put in place appropriate technical and organisational measures to meet the requirements of transparency in addition to the requirements of the data protection principles. To support these requirements the Council takes a 'Data Protection by Design' approach to the planning, implementation and management of business systems and operational arrangements. It is now mandatory to carry out a Data Protection Impact Assessment (DPIA) for high-risk initiatives and to seek advice from the Data Protection Office with regard to their completion. The purpose of the DPIA is to identify potential risks to individuals' data protection rights, and to consider how these can be negated or mitigated. The view of the DPO must be sought when preparing a DPIA and the organisation must document its views on the DPO advice provided and further record its mitigation and / or acceptance of residual risk.
- 3.2 During the 2021/22 financial year the Data Protection Office has supported the Council and its companies to develop 18 DPIAs for a range of projects, initiatives, and business process reviews. This has included ongoing involvement in a range of public health programmes to support Covid responses, the roll-out of Assistive Technology in Adult Social Care, CCTV deployment under the Smart Cities agenda, and development of a Mobility Hub platform.
- 3.3 Arrangements remain in place with ICT and Corporate Procurement to check that a DPIA has been considered before progressing; these have supported growing awareness of the requirement to seek DPO input. Outside these specialist areas, use of the Information Governance service hub continues to raise awareness of the requirement to consider DPIAs at the outset of any piece of business redesign, new initiative, or commissioning exercise.
- 3.4 There remains a requirement for service areas to maintain a Record of Processing Activity (ROPA) for all business activities involving personal data, to support the accountability principle. In preparation for GDPR implementation in 2018, service areas each completed a self-assessment to evaluate and record their compliance arrangements. DPO team members undertook a significant piece of work to develop and pre-populate a bespoke ROPA template based on the ICO's best practice, with the information from the self-assessment returns.
- 3.5 A work programme planned for 2020/21 for each service area to review and update their ROPA templates, essentially with further information identified by the ICO, was postponed due to Covid priorities. A new programme, providing support to service areas while aligning with agile working arrangements, is incorporated into a programme of compliance checks in 2021/22.

- 3.6 The Council maintains e-learning for Elected Members and Council staff on the learning hub. Both Elected Members and staff are required to maintain their data protection knowledge using these modules. The DPO team receives monthly updates from People Management on training completion.

4. SUBJECT ACCESS REQUESTS

- 4.1 One of the central rights given to individuals under GDPR and the Data Protection Act 2018 is for data subjects to have access to records containing their personal information. These requests continue to be coordinated on the Council's and TFC's behalf by the Access to Files team, a small specialist team of 3 officers, based in the Information Governance Team within Business Support.
- 4.2 The Data Protection Office supported the Access to Files team with a review of process and procedure to check compliance given the changes in working requirements imposed by Covid, with several recommendations being made. Amongst the recommendations made were changes to template correspondence and a recommendation to move from paper to electronic working, with the associated benefits in ensuring work carried out away from council premises is undertaken securely.
- 4.3 Outcomes for the year 1 April 2021 to 31 March 2022 are below.

2021/22	Received in Year	Closed in Year	Closed Within Timescale	Closed Out of Timescale	Remain open
Total	180	163 (91%)	94 (52%)	69 (39%)	17 (9%)
Citywide	24	23	15	8	1
Adult SC	11	9	5	4	2
TfC	101	87	30	57	24
Blanks**	44	44	44	0	0

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

- 4.4 Members will note that of the 163 cases closed in-year, 94 were responded to within the statutory timescale of one calendar month; 69 cases exceeded timescale. This compares to 61 being in-time and 79 exceeding timescales in 2020/21. This upturn can be substantially attributed to the changes to working practices, especially the adoption of new digital processes and the reversion to

regular physical access to records held in City Hall, previously unavailable due to lockdown.

- 4.5 It has historically proved challenging to respond within time-limits where a case involves multiple files/records - children's social care in particular, where a given case involves multiple family members, which often makes consideration of the interplay between individuals' privacy rights particularly complex. There is also a statutory requirement that Health and other professionals are asked for their view on the release of records originating from them and this can incur delay. The ICO Office has taken a pragmatic view of the matter, especially under Covid arrangements, but is taking a keener interest in timescales when customers have registered a complaint with them. The Access to Files Team continue to review working practices and explore technological options to improve the service offered.

5. INFORMATION INCIDENTS

- 5.1 A dedicated reporting email address ('Info Alert') is maintained for notifying data breaches directly to the Data Protection Office, to facilitate prompt recovery and containment actions by staff. A separate dedicated address is in place for use for similar reports made by Together for Children. SCAS have their own arrangements in place for reporting and investigating incidents. The Data Protection Office encourages reporting, not only of known or suspected breaches, but also the identification of lower level 'near miss' events. Such reports are used to inform recommendations for improvements that can be made before a 'near miss' puts the data protection rights of individuals at risk.
- 5.2 Appendix A details the numbers and gradings of breaches reported for the period from 1st of April 2021 to 31st March 2022. The Data Protection Office made use of a RAG rated matrix grading system to gauge the severity of reported breaches. Breaches rated Red meet the criteria for referral to the ICO. Appendix B provides information about the types and distribution of breach reports across the Council's Directorates and companies.
- 5.3 Common themes identified in the previous annual report remain apparent, these relate to:
- Correspondence errors, related to use of incorrect addresses (postal, text or email) or personal information of another incorrectly contained in correspondence sent to the correct address.
 - Dissatisfaction with data sharing within the safeguarding process.
 - Data quality issues frequently linked to, or proving to be the cause of, the above. Following management intervention the issue of re-use of previous documents as templates was addressed and these instances declined for a period, although examples again occurred towards the end of the year.
 - 'Orphan' records following re-organisation and the departure of the staff responsible for the service. This represents an 'availability' breach where the location of the records is not properly understood.

5.4 Actions and recommendations taken/made include:

- Changes to business process and Team reminders about business process requirements.
- Staff involved in incidents refreshing their data protection training.
- Instructions to staff on following the correct process.
- Individual performance management.
- Introduction of 100% checks of correspondence.
- Double checking email and postal addresses and the contents of correspondence before sending.
- Use of clean templates for new documents.
- Requirement for e-mail data that is high risk or containing personal or sensitive information to be encrypted to mitigate the risks.
- Review of records held and to be retained for future use, with secure destruction arrangements in place where documents are not required to be retained.

5.5 Arrangements for reporting data breaches are subject to ongoing review in the light of learning and feedback under the Corporate Support Review. The latest reporting materials are now published on the Information Governance Service Hub, providing for direct submission of reports to the Info Alert address. Based on feedback from users it is recognised that, through effective use of triage, these arrangements can now be further refined, while continuing to gather sufficient data to provide an effective picture of where practice issues may compromise data protection and/or expose the Council.

6. INFORMATION COMMISSIONER

6.1 Four breaches were reported to the ICO in the course of the year; three by the Council and one by a member of the public.

The public complaint was reported after internal Council investigations were unable to substantiate allegations of personal information being inappropriately disclosed in relation to a planning application.

The Council reported three breaches directly to the ICO:

- Two cases around children's safeguarding, where parental addresses were disclosed to estranged family members without a legitimate basis to do so
- One case of missing paper records highlighted during the bulk migration of paper records from the Council's Records Management contractor to a new provider.

6.2 This compares with the previous year when one breach was reported to the ICO.

6.3 There has been no formal enforcement action taken in relation to the above breaches, or with the Council's and its connected organisations' general compliance with their data protection responsibilities. Where the ICO has made

recommendations these have been accepted and implemented within the service areas.

8. PROJECT SUPPORT

8.1 Windows 10 / Office 365

The Data Protection Office has continued work to support the development and roll-out of the suite of products under Windows 10 and Office 365, with representation on the W10/365 Strategic Governance Group and the Strategic Management Information Security Forum (MISF), providing specialist advice on data protection aspects and on anticipated issues with deployment. DPO advice has been provided on the mitigating measures identified through the Project DPIA documents; however, the 'evergreen' nature of the Office 365 environment means that ongoing changes and updates to functionality continue to require Data Protection Office input. Due to Covid and the need for staff to principally work from home there was a need to rapidly roll-out the availability of Teams (and its modules) including provision of guidance to staff on its use. The Data Protection Office will continue to work with the ICT service with regard to the implementation of additional functionality.

8.2 City Hall, Agile Working and Civic Centre

The Data Protection Office supported the developing proposals for the design and occupation of City Hall and the agile working arrangements inherent to it, and also the closure of the Civic Centre, with particular emphasis on the migration, archiving or secure disposal of both paper and electronic records.

9. THE CALDICOTT GUARDIAN ROLE AND THE ETHICS BOARD

9.1 The Caldicott Guardian (CG) is a senior person responsible for protecting the confidentiality of people's health and care information and making sure it is used properly. Within the Council, the role lay with the Executive Director of Neighbourhoods in 2021/22.

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

9.2 Sunderland Care and Support and Siglion utilise the Council's Caldicott function, while in Together for Children the role is assigned to the Director of Children's Social Care.

10 NEXT STEPS

- 10.1 It is recommended that the Council and its connected organisations continue to engage with the Data Protection Office to refine arrangements for the use and management of personal data.
- 10.2 An ongoing programme of compliance checks, utilising the ICO's Accountability Framework, will continue into 2022/23, with quarterly reports containing recommended actions for implementation being issued to Info Asset Owners.
- 10.4 Further embedding of 'Data Protection by Design' principles will be critical to ensure the DPO is involved at the earliest opportunity with new initiatives as the Council and partners move into the era of City Hall and to support the objectives of the City Plan. There are substantial implications for processing personal data posed by the Council's digitisation agenda underpinning programmes such as Smart City, City Hall, and the Corporate Support Review.
- 10.5 The Data Protection Office has developed a revised Service Plan for 2022/23 to capture work to support the above. The plan builds on the IMPS and Corporate Support Review to implement a suite of Data Protection Protocols in areas like Breach Management, People's Rights, and Data Protection by Design, while an updated Performance and Reporting Framework for 2022/23 shifts the emphasis away from recording lower-level data breaches and reflects the emerging requirement to monitor compliance concerns raised by members of the public or highlighted in the programme of checks.

11. RECOMMENDATIONS

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

12. REPORT CONTACT

Nick Humphreys
Data Protection Officer
nick.humphreys@sunderland.gov.uk

APPENDIX A

Number reported 2020/2021	Reporting Measure	Measure Description	Number reported 2021/22
1	ICO Reported	Number of personal data breaches reported to the ICO	4
1	ICO report - Council	Number of breaches self-reported to the ICO	3
0	ICO report - Public	Number of customer reports to the ICO by a member of the public alleging a personal data breach.	1
136	Breach Total	The total number of cases where a report or request for advice has identified a failing in Data Protection compliance	96
0	Red	Number of cases where a personal data breach via SIRI - Serious Incidents Requiring Investigation - Red Rating	3
34	Amber	Number of cases where a personal data breach has been reported or identified via SIRI - Serious Incidents Requiring Investigation - Amber Rating	9
86	Green	Number of cases where a personal data breach has been identified via SIRI - Serious Incidents Requiring Investigation - Green Rating	66
16	Data Protection Issue (non-breach)	Data Protection issue (non-Article 4 of GDPR, i.e. concluded not a data breach after investigation)	18

APPENDIX B

Breach Type by Directorate	Disclosed in Error	Lost in Transit	Process Not Followed	Technical Failure	Other	Total
City Development	2				1	3
Corporate Services	19		4	1		24
Neighbourhoods	17		2			19
Public Health						0
SCAS	1		1			2
Siglion						0
Together for Children	38		4	1		43
Universal	4		1			5
Total	81		12	2	1	96

