

## AUDIT AND GOVERNANCE COMMITTEE

### AGENDA

**Meeting to be held on Friday 24 September 2021 at 1.30pm in  
Committee Room 1, Sunderland Civic Centre**

ITEM		PAGE
1.	<b>Receipt of Declarations of Interest (if any)</b>	
2.	<b>Apologies</b>	
3.	<b>Minutes of the Meeting of the Committee held on Friday 23 July 2021</b>  (Copy attached.)	1
4.	<b>City Plan Update</b>  Verbal update from the Senior Corporate Strategy Officer, Sunderland City Council.	-
5.	<b>Risk and Assurance Map – Update 2021/2022</b>  Report of the Assistant Director of Business and Property Services (copy attached).	11
6.	<b>Treasury Management Second Quarterly Review 2021/2022</b>  Report of the Executive Director of Corporate Services (copy attached).	31

7. **Audited Statement of Accounts 2020/2021**

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Report of the Executive Director of Corporate Services  
(copy to be printed separately).

ELAINE WAUGH  
Assistant Director of Law and Governance

Civic Centre  
Sunderland

16 September 2021

**AUDIT AND GOVERNANCE COMMITTEE**  
**Friday 23 July 2021**

**Present:**

Mr G N Cook in the Chair

Councillors Nicholson, Price and P Wood together with Mr M Knowles

**In Attendance:**

Jon Ritchie (Executive Director of Corporate Services), Paul Davies (Assistant Director of Business and Property Services), Tracy Davis (Senior Manager - Assurance), Paul Dixon (Chief Accountant), Nick Humphreys (Data Protection Officer), Diane Harold (Mazars) and Hazel Mackel (Executive Governance Services Team Leader).

Prior to the commencement of the business of the meeting, the Chair welcomed Councillors Nicholson and Price who were attending their first meeting of the Committee.

**Declarations of Interest**

There were no declarations of interest.

**Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Councillors N MacKnight and Stewart.

**Minutes**

The Chair referred to the item, "Member Training and Development," and having reported that the update on the City Plan would now be received at the Committee meeting in September, it was:-

1. RESOLVED that the minutes of the meeting of the Committee held on 30 April 2020 be confirmed as a correct record subject to the following amendments on the item, "Audit Strategy Memorandum" (page 5 of the minutes):-
  - Paragraph 4 - "A group audit approach would be taken to include the Council, Together for Children and Sunderland Lifestyle Partnership.

Desktop reviews would be carried out for the Council owned companies with their own external audit arrangements” to be amended to “*A group audit approach would be taken to include the Council and its consolidated interests, with desktop reviews of non-significant components.*”

- Paragraph 5 – to amend the reference of ‘re-list’, to ‘de-list’.

## **Council’s Going Concern Status Report**

The Executive Director of Corporate Services submitted a report to consider and agree the Council’s status as a going concern.

The report outlines a new annual action on the assessment of the Council’s status as a going concern in line with 2020/2021 CIPFA / LASAAC Code of Practice on Local Authority Accounting (accounting Code). The provisions in the Accounting Code on the going concern accounting requirements reflected the economic and statutory environment in which local authorities operated. These provisions confirmed that local authorities had no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements. As local authorities could not 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.

The Committee attention of the Committee was drawn to the 2020/2021 year end position which highlighted that there had been an underspend of £0.264 million. A significant reprofiling of capital had been undertaken but given the size and that it was spanning multiple years, there was no concerns of affordability or deliverability. The reprofiling had been necessary for issues beyond the control of the Council in relation to the availability of labour and materials.

The Executive Director of Corporate Services advised that the Council was aware of the challenges it faced and was prepared to deliver its services in the future taking account of the known risks. The health of the Council’s balance sheet had been assessed and the key points were set out in paragraph 4 of the report.

Section 5 of the report highlighted the current year’s budget and the individual reserves were set out in a table on page 12. The Council had agreed the revenue budget for 2021/2022 on 3 March 2021 at £204.880 million. The budget was balanced by increasing council tax by 4.99% (1.99% council and 3% Adult Social Care precept), budget savings of £6.267 million and a planned use of reserves of £2.288 million. The budget for the capital programme for 2021/2022 totalled £248.763 million. Cash had been managed to ensure a positive cash flow throughout the pandemic and this continued to be the position projected forward. Both the revenue and capital budgets continued to be carefully monitored.

The Council’s General Fund Reserve stood at £12.000 million. This was 5.86% of the original 2021/2022 revenue budget, this was in accordance with the existing policy and was considered prudent and robust given the overall level of reserves.

The Council had set a balanced budget however the current MTFP covering the period 2021/2022 to 2024/2025 estimated a funding gap of £62.516 million over the

four-year period. Current council tax and business rate growth and inflationary forecasts totalled £26.786 million over the same period. Therefore, the net MTFP shortfall over the four-period indicated savings requirements of £35.730 million. 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, would be undertaken.

In conclusion, the Executive Director of Corporate Services reported that it was his view is that the Council was aware of the challenges it faced and was prepared to deliver its services in the future taking account of the known risks. Any transition required to deliver savings could be supported by transitional reserves, therefore the Council was a going concern and the Statement of Accounts would be prepared on that basis.

Consideration having been given to the report, it was:-

2. RESOLVED that approval be given to the Council being considered as a going concern based on the assessment in the report and that the accounts be prepared and approved on that basis.

### **Risk and Assurance Map - Update 2021/22**

The Assistant Director of Business and Property Services submitted a report to enable the 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.

The proposed Risk and Assurance Map and planned work for the year had been agreed by the Committee in April 2021.

The Assistant Director of Business and Property Services referred to the Risk and Assurance Map at Appendix 1 which had been updated to reflect any changes to both the Strategic and Corporate Risk Profiles. He advised that all changes to the Strategic Risk Profile were shown in red text for ease of reference and highlighted the key changes, namely:-

- An alternative risk description was suggested for R06 from '*Unable to maximise the opportunities to advance wired and wireless connectivity.*' to '*Unable to maximise the opportunities created by the Smart City Infrastructure*'
- An additional risk had been added at R08A described as '*Due to lack of support, families are not sufficiently resilient and resourceful to respond to challenges and achieve the best possible outcomes for their children.*' This risk had been assessed as having a current score of 8, Amber.

- The risk description for risk R09 had been changed from '*Health outcomes in Sunderland are still poor and there are significant health inequalities.*' to '*Unable to improve the historically poor Health outcomes in Sunderland and reduce health inequalities.*' with no change to the risk score.
- A new risk had been added at R018 described as '*Council fails to provide support for victims of domestic abuse as required by the Domestic Abuse Act 2021.*' This risk had been assessed as having a risk score of 8, Amber.

Turning to Appendix 1, the Committee was advised that ratings would remain marked as red for Together for Children until a different Ofsted opinion had been received. The rating for finance in respect of another Council Owned Company, Siglion, had not been received until after the agenda was published and this had been identified as green. Those areas marked "X" with no rating identified were due to that piece of work having not yet been completed.

The audits to be carried out this year and the detailed results of completed Internal Audit work was shown at Appendix 4, with the summary outcomes shown on the Map. One marked without an opinion was Collections Management and the Assistant Director of Business and Property Services advised that that piece of work would be undertaken in this year.

The performance in relation to targets set for Internal Audit was shown at Appendix 5 and all Key Performance Indicators were on target.

Councillor Wood having enquired why some text in Appendix 2 appeared crossed out was advised that for transparency deleted text was shown crossed out with new added explanatory text shown in red.

Mr Knowles noted that the addition of newly identified risks had been allocated an amber rating and he enquired whether that was the starting point until assurance was given. The Assistant Director of Business and Property Services advised that for the new risks identified, which had arisen out of the Covid-19 pandemic, an amber rating had been given as the size of the action and response to the implications had not been identified yet. He assured that however funding had been set aside to deal with the response. He added that the new risks in respect of the Domestic Abuse Act were new responsibilities for the Council and again an amber rating had been applied in order to focus a response. The Executive Director of Corporate Services reported that the Council was examining governance models with the CCG and depending on which model was selected it would have specific mechanisms and funding flows. He advised that guidance on this matter would be available by the end of August and assured that it was being addressed.

Consideration having been given to the report, it was:-

3. RESOLVED that the report be noted.

## **Annual Report on the Work of the Committee 2020/2021**

The Assistant Director of Business and Property Services submitted a report which provided a summary of the work undertaken by the Audit and Governance Committee during 2021/2021 and the outcome of this work. The purpose of the report was to demonstrate how the Committee had fulfilled its role and would be presented to Council once agreed by this Committee.

The Assistant Director of Business and Property Services reported that despite the Covid pandemic, the Committee had fulfilled all of its duties. He highlighted that the Committee had been proactively monitoring activity in a number of important areas, namely:

- Risk and Assurance Map – The Committee had closely monitored activity in relation to the impact of Covid on the Council's strategic risks.
- Treasury Management – The Committee had received regular updates regarding the Council's performance in relation to Treasury Management.
- *Internal Audit* - The Committee had received assurance that Internal Audit had been able to give an opinion on the control arrangements in place due to the integrated assurance arrangements in place although a full audit programme had not been completed due to the Covid pandemic.

The report showed that the work of the Committee was wide ranging with Members monitoring performance more closely in those areas where it was deemed appropriate, including the impact of the Covid pandemic.

Having noted the positive report, it was: -

4. RESOLVED that the Annual Report be approved and presented to the Council for their consideration.

## **Treasury Management Annual Review 2020/2021**

The Executive Director of Corporate Services submitted a report which presented the Treasury Management borrowing and investment performance for 2020/2021 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by Council on 4 March 2020.

The Treasury Management function continued to contribute financial savings which were used to provide funding to support the Council's revenue budget. The average interest rate of the Council's borrowing at 2.83% was low and this compared favourably with other local authorities as did the 0.45% rate of return achieved on investments.

Members were reminded of the basis for the agreed Borrowing Strategy for 2020/2021 and that it had been reviewed in July and October 2020 and February 2021 and was updated where necessary to reflect changing circumstances. The strategy for 2020/2021 had been to adopt a pragmatic approach in identifying the low

points in the interest rate cycle at which to borrow, and to respond to any changing circumstances to seek to secure benefit for the Council. A benchmark financing rate of 4.25% for long-term borrowing was set for 2020/2021 in light of the views prevalent at the time the Treasury Management policy was set in March 2020.

There had been considerable volatility in financial markets during 2020/2021 and PWLB rates had started the year at 2.54%, before gradually rising to a peak of 2.91% in mid-November 2020. Then on 26 November 2020, a 1% rate cut was implemented, reversing the 1% increase in rates introduced by the Government in October 2019. This resulted in rates falling to a low of 1.52% during December 2020 before steadily rising to end the financial year at 2.19%.

Due to high levels of volatility in the financial markets, with borrowing rates forecast to remain low over the short-term, no new borrowing was taken out during the financial year. The overall longer-term expectation is for gilt yields and PWLB rates to rise slowly. The Treasury Management team continued to closely monitor rates to assess the value of possible further new borrowing in line with future Capital Programme requirements.

The Authorised Borrowing Limit for External Debt had been set at £842.243m for 2020/2021 and the Operational Boundary for External Debt was set at £817.243m and the authority was well within the tolerances for these.

The Investment Strategy for 2020/2021 was also approved by the Council on 4 March 2020 and had a general policy objective of the prudent investment of its treasury balances. The investment policy was regularly monitored and reviewed to ensure it had the flexibility to take full advantage of any changes in market conditions to the benefit of the Council. The funds managed by the Council's in-house team amounted to £218.243 million and all investments complied with the Annual Investment Strategy.

Councillor Wood having enquired if there was any concern in relation to inflation increases following a stable period, was advised that all indications were that it was a short-term impact and it is expected to reduce in the near future.

Following consideration of the report, the Committee:-

5. RESOLVED that the positive Treasury Management performance for 2020/2021 be noted.

### **Treasury Management First Quarterly Review 2021/2022**

The Executive Director of Corporate Services submitted a report presenting the Treasury Management performance to date for the first quarter of 2021/2022 and setting out the Lending List Criteria and Approved Lending List.

The Covid-19 pandemic continued to have a significant impact on financial markets and economic forecasting and had required a pro-active approach to Treasury Management to support the Council's response to the pandemic. This had included holding higher levels of cash balances to support the Business Rate payer grants,



stringent monitoring of cash flow and any investments being short term to ensure both liquidity and security of funds given increased economic uncertainty.

The Council's Treasury Management function continued to look at ways to maximise financial savings and increase investment returns to the revenue budget, whilst maintaining a balanced risk position. In respect of borrowing, due to the temporary use of reserves to fund the Capital Programme no new borrowing has been required to date during 2021/2022 but the position continues to be monitored closely.

The Council's interest rate on borrowing was low, currently 2.78%, and the authority had benefitted from this lower cost of borrowing and also from ongoing savings from past debt rescheduling exercises. The rate of return on investments was 0.11% compared with a benchmark of -0.08%.

The Treasury Management Prudential Indicators were regularly reviewed and the Council was well within the limits set for all of these. Further detail on the indicators was set out in Appendix A to the report. The investment policy was also regularly monitored and reviewed to ensure that it had the flexibility to take full advantage of any changes in market conditions which would benefit the Council. The economic climate was likely to be unclear and uncertain for some time.

The Council's authorised lending list continued to be updated regularly to take into account financial institution mergers and changes in institutions' credit ratings. The updated Approved Lending List was attached as Appendix C to the report for information. There had been no changes to the Lending List Criteria which were set out at Appendix B.

In response to an enquiry by the Chair in relation to the timing of new borrowing, the Executive Director of Corporate Services advised that the PWLB interest rates were monitored on a daily basis. The attention of members was drawn to the PWLB rates in paragraph 1.8 of the report to highlight the different interest rates between the 25- and 50-year terms. He explained that it was a case of examining when it was the best time to lock in investments on lower rates and utilising cash rather than borrowing where appropriate.

Mr Knowles requested assurance on the inclusion of the new lending institutions on the Approved List and if it was to increase agility and flexibility. The Executive Director of Corporate Services explained that approved list ensures that all efforts and resources were not concentrated which could over-expose the Council. The range of institutions enabled the Council to achieve flexibility and balance liquidity, yield and assurance. He advised that whilst there were no certainties, the Council was taking all reasonable steps to mitigate against any risk.

Consideration having been given to the report, it was:-

6. RESOLVED that: -

- (i) the Treasury Management performance during Quarter 1 of 2021/2022 (Appendix A) be noted; and
- (ii) the Lending List Criteria at Appendix B and the changes to the Approved Lending List at Appendix C be noted.

### **Data Protection Annual Report**

The Assistant Director of Business and Property Services and the Data Protection Officer submitted a joint report presenting the Data Protection Officer's annual report of work and findings to the Committee for consideration.

The Committee was asked to consider: -

- the Data Protection arrangements outlined in the report; and
- performance against Data Protection standards in the 2020/2021 year.

The Committee was advised that there had been a degree of change over the last year, following the departure of both the previous DPO and SIRO in mid/late 2020. The DPO function was picked up by the Assistant Director of Business and Property Services until a new DPO was appointed in March 2021, and the SIRO role now lay with the Executive Director of Corporate Services. In addition, both Information Governance groups were suspended due to changes to working arrangements and priorities imposed by the Council's response to Covid. The Data Protection Office had provided more direct advice and guidance to support service areas with DP compliance during this period.

The attention of the Committee was drawn to the General Data Protection Regulation key principles and 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 took a 'Privacy by Design' approach to the planning, implementation and management of business systems and operational arrangements. It was 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 was to identify potential risks to individuals' data protection rights, and to consider how these could be negated or mitigated.

During the year, the Data Protection Office had supported the Council and its connected organisations, including the Council's wholly owned companies, NECA and those schools and academies that subscribed to the service, to develop 24 DPIAs for a range of projects, initiatives, and business process reviews. This had included ongoing involvement in advising on elements of the Office 365/Windows 10 project, a range of public health programmes to support Covid responses, the roll-out of Assistive Technology in Adult Social Care, and sharing information with partners to support the Southwick Area Raising Aspirations (SARA) initiative. Arrangements remained in place with ICT and Corporate Procurement to check that a DPIA had been considered before progressing.

The Data Protection Officer reported that there remained 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 addition, the Council maintained e-learning for Elected Members and Council staff on the learning hub and both Elected Members and staff were required to maintain their data protection knowledge using these modules.

Turning to subject access requests, 140 cases were closed in-year of which 61 were responded to within the statutory timescale of one calendar month and 79 cases exceeded the timescale. This compared to 95 being in-time and 49 exceeding timescales in 2019/20. This downturn could be substantially attributed to the changes to working practices dictated by Covid, especially physical access to records held in the Civic Centre due to lockdown.

It was explained that historically it had proved challenging to respond within time-limits where a case involved multiple files/records, in particular in children's social care, where a given case involved multiple family members, which often made consideration of the interplay between individuals' privacy rights particularly complex. There was also a statutory requirement that Health and other professionals were asked for their view on the release of records originating from them and this could incur delay. The Information Commissioner's Office (ICO) had taken a pragmatic view of the matter, especially under Covid arrangements. Nonetheless, Access to Files continued to review working practices to improve the service offered.

The attention of the Committee was drawn to Appendix A of the report which detailed the numbers and gradings of data breaches reported for the period from 1st of April 2020 to 31st March 2021 and Appendix B which provided information about the types and distribution of breach reports across the Council's Directorates and companies.

Where there was a serious breach in data protection, this was reported to the ICO and there was one such incident during the course of the year compared to five in the previous year. This related to an addressing error on Council Tax correspondence which led to personal details and distressing allegations being posted on social media. Although the Council was not responsible for the posting, it recognised that it did not have sufficient controls in place to mark the correspondence as 'Addressee Only' or a procedure for recipients to follow when post was received in error. This effectively 'enabled' the social media posting, the contents of which could be considered to infringe the rights and freedoms of the affected party, and thus warranted notification to the ICO.

There had been no formal enforcement action taken in relation to the Council's, or its connected organisations', compliance with their data protection responsibilities. Where the ICO made recommendations, as in the case noted above, these had been accepted and implemented.

Throughout 2020/21, the Data Protection Office had supported the Council and its partners in implementing data sharing arrangements in response to the Covid-19 pandemic against a changing set of requirements, guidance and legislation. The Office had also provided advice and guidance to mitigate the highest risks where possible. The Data Protection Office has 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 archiving or secure disposal of both paper and electronic records.

The Data Protection Office has developed a revised Service Plan for 2020/21. The plan highlighted the need for an updated Information Management Strategy, review of the suite of policies around Data Protection, an updated Performance and Reporting Framework and a programme of compliance audits to reflect new working arrangements.

Consideration having been given to the report, it was:-

7. RESOLVED that the Data Protection Annual Report 2019/2020 be noted.

### **External Auditor's Progress Report**

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

Diane reported the Value for Money risk assessment had been completed and there were no new risks, other than the financial sustainability risk previously reported in the Audit Strategy Memorandum for 2020/21. In this quarter audit work on the 2020/21 financial statements was being undertaken and there were no significant matters to report at this stage of the audit.

The Committee was advised that the Audit Completion Report would be submitted to the September meeting for information.

Diane highlighted that the focus of the audit remained on fixed assets, property, pensions and Covid-19 grant funding. The only potential hold up to the completion of the audit might arise from the receipt of assurance from the Pension Fund auditor following the merger of the Tyne and Wear Pension Fund with the Northumberland County Council Pension Fund. She advised that the work was being undertaken remotely and anticipated that the audit would run smoothly as there were no issues and everything was on track.

The attention of the committee was drawn to the list of national publications. In particular to the consultation by the MHCLG on the methodology of allocating the £15 million in additional funding in 2021/22 it had announced towards external audit fees and the development of the proposed new standardised statement of service information and costs in recognition of the additional pressures on auditors to audit fixed assets and pensions. Councils had been paying higher fees and this had been recognised by Government and central bodies.

Following consideration of the report, it was:-

8. RESOLVED that progress report be noted.

(Signed) G N COOK  
Chair

## AUDIT AND GOVERNANCE COMMITTEE

24 September 2021

### RISK AND ASSURANCE MAP UPDATE – 2021/22

#### Report of the Assistant Director of Business 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 2021 the Committee agreed the Risk and Assurance Map and Strategic and Corporate Risk Profiles for 2021/22. 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, causes, impacts and mitigating actions. Key changes are as follows:
- The risk score and assurance position in relation to risk R08 *'The Council is not able to fulfil its statutory responsibility for Children and Young People and also ensure families are supported to enable them to achieve their desired outcomes'*

have been updated in response to the recent OFSTED inspection of Together for Children Ltd which gave an 'Outstanding' rating. The current risk score has been reduced to 4 (Green) and the assurance position has also been moved to Green. This is shown on the Risk and Assurance Map against the Strategic Risk Area '*Access to equitable opportunities and life chances*'.

- An additional risk has been added at R12 described as '*The introduction of a statutory Integrated Care System with a regional Integrated Care System (ICS) Health and Care Partnership, covering the North East and Cumbria may reduce the resources available in Sunderland for Health and Social Care*'. The current risk score is assessed as 9 (Red), as it is currently unclear what impact the new arrangements will have on the funding available for social care in Sunderland.

#### 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 have been no changes to the Corporate Risk Profile.

#### 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.
- 4.5 As mentioned above the positive OFSTED result has resulted in the overall risk rating and assurance position moving to Green for Together for Children Ltd.
- 4.6 The Internal Audit Opinion for Siglion LLP has been updated due to the positive results of a recent audit and is now Green. The assurance provided by Financial Resources in relation to the financial arrangements for the Company is substantial so is also shown on the Risk and Assurance Map as Green. Both of these have resulted in the overall assurance position for the Company moving from Amber to Green.

#### Assurance from Internal Audit

- 4.7 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.
- 4.8 Appendix 4 shows all of the opinions, including those from previous years, which have been considered in determining the overall assurance level for the new 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. In the current year Internal Audit has lost two long serving employees for which recruitment has been unsuccessful so far. This has resulted in completion of the audit plan being behind where it would be expected at this point in the year. Another recruitment exercise will be undertaken this month and additional resources will also be procured to help delivery of the audit plan for the year.

#### Assurance from Risk and Assurance Team

- 4.9 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 Covid 19 pandemic.
- Risk Management work in relation to the potential impacts of EU Exit.
- Major capital schemes such as the delivery stage of the SSTC Phase 3, the International Advanced Manufacturing Park, and the City Centre developments.
- Move to the new City Hall, including construction and new ways of working.
- National Fraud Initiative data matching exercise.

#### Assurance from others within the Council

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

#### Assurance from Management

- 4.11 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 2020/21.

#### Assurance from External Sources

- 4.12 The Map includes assurance from relevant external sources. Changes since the last report are in relation to the recent positive OFSTED inspection.

#### Overall

- 4.13 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 - September 2021

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 / DPO	Financial Resources	Programmes & Projects	Performance	ICT	People Mgt	Health & Safety	Business Continuity	Risk & Assurance
<b>Strategic Risk Areas</b>												
<b>Dynamic City</b>												
More and better jobs												
More and better housing												
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												
<b>Healthy City</b>												
Access to equitable opportunities and life chances												
Reduced health inequalities enabling more people living healthier longer lives												
More people living independently												
Cleaner and more attractive City and neighbourhoods												
A City with great transport and travel links												
<b>Vibrant City</b>												
More creative and cultural businesses												
More residents participating in their communities												
More visitors visiting Sunderland and More residents participating in cultural events programmes and activities												
More people feel safe in their neighbourhoods and homes												
More resilient people												
<b>Enabling</b>												
Finance												
Partnership Working												
<b>Corporate Risk Areas</b>												
Strategic Planning												
Commissioning												
Service Delivery Arrangements												
Partnership/Integrated Working												
Procurement												
Relationship/Contract Management												
Legality												
Risk Management												
Corporate Performance Management												
Financial Management												
Income Collection												
Capital Programme Management												
Human Resources												
Health and Safety												
ICT Infrastructure												
Cyber Security												
Information Governance/Security												
Business Continuity Management												
Programme and Project Management												
Asset Management												
Anti-Fraud and Corruption												
<b>Council Owned Companies</b>												
Sunderland Care and Support Ltd.												
Together for Children Sunderland Ltd.												
Siglon LLP												

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	Financial Resources	Programmes and Projects	Performance	ICT	People Management	Business Continuity	Risk and Assurance	Internal audit	External Assurance		
HEALTHY	People enjoying independent lives.	R13	Current model of social care cannot be sustained in the future, due to a growing population of older people and fewer younger working age adults.	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.	Care options for adults do not meet the needs of individuals or result in increased costs to the Council. Impact of Covid 19 on delivery arrangements, PPE etc.	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 - 1,226 homes had the technology by the end of March 2021. Continue to work with the Association of Directors of Adult Social Services ADASS on market sustainability for social care. 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. Our Social Health Enabling Independent Living (SHEILA) App's innovative use of assistive technology SHEILA has transformed adult social care across the city, with over 1,400 homes across Sunderland now equipped with AT. The service is now well versed in helping families to use GPS and other devices to identify when a family member needs assistance and provide the response that is required to keep them safe	Executive Director of Neighbourhoods									
	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. Up to March 21, a total of 2,669 enforcement activities had been carried out.	Executive Director of Neighbourhoods									
	A City with great transport and travel links.	R15	The City cannot meet the challenge to develop an active 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. SSTC3 link road from Northern Spire to City Centre nearing completion. High Level Bridge design in development. Winter maintenance issues monitored by Regional Partners and the Local Resilience Forum (LRF)	Executive Director of City Development									
	More creative and cultural businesses.	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.	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. Launch and promote Spacehive (a funding platform to support local projects) - launched in January 2020. At the end of 2020/21, 22 projects have been supported raising £236,976 for Sunderland projects since the launch. Neighbourhood Plans are being refreshed to reflect the impact of Covid.	Executive Director of Neighbourhoods									
VIBRANT	More people visiting Sunderland and More residents 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" On Friday 30 July, 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.	Executive Director of Neighbourhoods									
	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. Crime for August 2020 to August 2021 has continued to reduce when compared with the same period in the previous year.	Executive Director of Neighbourhoods									
	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.	Executive Director Public Health and Joint Commissioning									
	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.	and the last update	Sunderland Foodbank. City Plan.	4	2	8	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	Executive Director of Neighbourhoods									
ENABLING	Finance.	R22	Delivery of the City Plan is restricted by financial pressures.	Uncertainty as to the level of Revenue Support Grant (4 year agreement ended). Progressive reduction in Government funding. Brexit. Cessation of European Funding. Changes to funding streams, changes in amounts of funding, inflation, pay awards, potential liabilities etc. Impact of Covid and unfunded costs/loss of income.	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	Appropriate consultation and intelligence gathering is undertaken in assessing the Council's short to medium term financial position. The City Plan delivery have been refreshed / updated in line with financial resources as part of the 2021/22 MTFP approval process. External funding opportunities are maximised, including the submission of a range of Covid returns and claims. The 2021/22 budget (revenue and capital) approved at Council in March 2021, following the usual consultation and scrutiny. Balanced revenue budget agreed for the year, although remaining pressures in the MTFP and uncertainty re: comprehensive spending review, fair funding review etc. - as set out in Council papers. The impact of Covid is reported monthly to both MHCLG and internally, with the potential need to use reserves in year to balance the outturn position.	Executive Director of Corporate Services									
	Partnership Working.	R23	Objectives and priorities of Council and other Partner(s) may conflict or	Reducing resources may lead to partners concentrating on their own priorities at the expense of City priorities.	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			
1 = Unlikely	1 = Minor	4	3	2	1
2 = Possible	2 = Moderate	3	2	1	
3 = Likely	3 = Significant	2	1		
4 = Almost Certain	4 = Critical	1			
Negative Impact					

Appendix 3

Current Score (September 2021)												Target Score		
ID	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	Strategic Director People, Communications and Partnerships	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.	Strategic Director People, Communications and Partnerships	Risk and Assurance Team Internal Audit	4	1	4
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	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	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	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	3	12	Service Planning process is driven by the City Plan. Service Planning Process is communicated to all Assistant Directors.	All Assistant Directors Strategic Director People, Communications and Partnerships	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	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	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	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	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	Risk and Assurance Internal Audit	3	1	3
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 Strategic Director People, Communications and Partnerships	Corporate Performance management Internal Audit	4	1	4

Assurance													
Overall Assurance	1st Line	2nd Line									3rd Line		
	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	
Strategic Planning	X				X					X	X		
	X				X					X	X		
Commissioning	X									X	X		
	X		X							X	X	X	
	X									X	X		
Service Delivery Arrangements					X						X	X	
	X									X	X		
	X									X	X		
	X				X					X	X		
	X				X					X	X		
Partnership / Integrated Working										X	X	X	

	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	
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.	Strategic Director People, Communications and Partnerships All Assistant 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	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 Business and property Services All Assistant 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	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	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	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 Business 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 Digital and Customer Service	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														
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														



	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
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 of 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 Digital and Customer Service	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	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											X	X	
R34	People Management	The council does not have the required skills and capacity to deliver the City's priorities.	Shrinking workforce leading to a reduction in capacity and skills. Rapid loss of key/senior officers and associated expertise. Lack of effective workforce planning to ensure Council has workforce to meet the needs of Council going forward. Insufficient resources to maintain effective HR management resource and arrangements. Insufficient training and development. Staff absence due to sickness 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	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	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 People Management	People Management Internal Audit	4	1	4	Health and Safety								X		X	X	
R37		The council's key H&S risks are not identified, understood or agreed.	Lack of effective coordinated corporate approach to the identification of H&S risks. Lack of awareness or prioritisation of H&S across Chief officers, managers and operational colleagues. Lack of clear responsibilities of premises managers, landlords and leaseholders.	Key H&S risks not effectively managed leading to injury or death of the public, staff, suppliers or partners. H&S legal duties not fulfilled and/or demonstrated. Reduced oversight and accountability at strategic and operational levels across the council leading to uninformed decision making. None compliance with quality standards. Litigation and adverse PR.	Corporate Health and Safety Team.	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 People Management	Head of HR and OD Internal Audit	4	1	4												X	

	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	
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 People Management	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 People Management	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 of Digital and Customer Service	ICT Internal Audit	4	1	4	ICT Infrastructure	X						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 of Digital and Customer Service All Assistant Directors	ICT Internal Audit Business continuity officer	4	1	4		X						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 of Digital and Customer Service	ICT Internal Audit	4	2	8	Cyber Security										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	Data Protection Office Governance questionnaire Internal Audit	3	1	3	Information Governance / Security	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.	Business Continuity Officer All Assistant Directors	Business Continuity Officer Internal Audit	4	1	4	Business Continuity Management	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	Business Continuity Officer Internal Audit Governance questionnaire	4	1	4		X								X		X		
R46	Programme / Project Management	Programmes and projects fail to deliver the desired benefits and outcomes.	Lack of agreed Project Management Standards. Lack of Project Plans and Governance. Lack of monitoring of achievement.	Fail to obtain value for money. Programme and Project objectives are not achieved.	Corporate Project /Programme management arrangements.	3	3	9	The expected benefits of programmes and projects are clearly set out at the start and their achievement monitored throughout.	All Project Sponsors	Project Office Risk and Assurance Internal Audit	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 Business and property Services	Internal Audit	3	2	6	Asset Management										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
R48		The Council does not fulfil its statutory duties in relation to its property portfolio.	Lack of resources. Lack of planning. Lack of monitoring or conditions of assets. Lack of knowledge of changes to the property portfolio.	Members of the public or staff are at risk of being harmed. Legal action taken against the Council. Reputational Damage.	Asset Management Plan.	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 Business 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	Governance questionnaire Internal Audit	2	2	4		Anti Fraud and Corruption	X									X		



Internal Audit coverage

Strategic Risk Profile

Key Risk Area	2017/18 Audits / Onions		2018/19 Audits / Opinions		2019/20 Audits / Opinions		2020/21 Audits / Opinions		2021/22 Audits / Opinions		Overall Opinion
More and better jobs											
More and better housing							Housing Service Governance Arrangements	M			
							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		
Access to the same opportunities and life chances									Taxi Licensing		
More people living healthier longer lives									Public Health Grant		
People enjoying independent lives	Assessment and Management of Personal Budgets	S					Rollout of assistive technologies		Adults Safeguarding - MASH		
							Adults Safeguarding - MASH		Financial Safeguarding - CPAT	S	
							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		
More people feel safe in their neighbourhoods and homes											
More resilient people											
Finance	Provision for significant financial liabilities	S									See below
Partnership Working					Partnership Arrangements						

Corporate Risk Profile

Key Risk Area	2017/18 Audits / Opinions		2018/19 Audits / Opinions		2019/20 Audits / Opinions		2020/21 Audits / Opinions		2021/22 Audits / Opinions		Overall Opinion
Strategic Planning	Service/Business Planning		Service/Business Planning	M							
	Service/Business Planning		Derwent Hill	S							
Commissioning	Commissioning	M									
Service Delivery Arrangements	Corporate Performance Management	S	Liquid Logic including business processes		Licencing		Financial Safeguarding/CPAT		Financial Safeguarding/CPAT Communications	S	
			Derwent Hill	S	Development Control		Bereavement Services				
					Environmental Services	M	Housing Service Governance Arrangements	M			
					Delivery of Council Restructure	M	Housing Regulatory Framework	M			
					Liquid Logic - Adults	S	Adults Safeguarding - MASH				
							Blue Badges				

Partnership /Integrated Working	Corporate Partnership Arrangements				Partnership Arrangements						
Procurement	Commissioning	M	Revenue Procurement	S	Revenue Procurement	S			Procurement Strategy	S	
	Revenue Procurement	M	Use of agency contract	M	Capital Procurement	M			Purchasing Cards		
	Homecare Payments	L	Catering consortium	M					Charging methodology - Highways		
									Use of agency framework	M	
Relationship/Contract Monitoring	Contract Management - Public Health School Nursing Service	S	Contract Management Arrangements for key contracts	S	Contract Monitoring SCAS	M					
	Commissioning	M	Contract Management - IAMP consultants	M	Contract Monitoring - Siglion	S					
	Together for Children Contract Monitoring	S			Contract Monitoring - Sunderland Homes						
Legality			Delegated Decision Making	M					Compliance with Operating Licence		
			Emergency Planning and Response	S							
Risk Management			Derwent Hill	S							
Corporate Performance Management	Corporate Performance Management	S	Performance Reporting - Data Quality	S	Performance Monitoring - City plan				Performance Monitoring - City Plan		
					Delivery of PEER Review Action Plan	S					
Financial Management							Wave 3 Rocket Feasibility	S	BACS		
	Provision for significant financial liabilities	S					Disabled Facilities Grant	S	Budget Management		
							Local Transport Capital Maintenance / Incentive Needs	S	Payroll		
							Local Transport Integrated Transport	S	Accounts Payable		
	Budget Setting and Management		Financial Reporting Arrangements				Nexus	S	Local Transport Capital Settlement - Capital Maintenance		
							Pothole	S	Local Transport Integrated Transport		
							Cycling to Sunderland		Nexus		
	Budget Setting and Management		EFA Funding	S		S	Vaux Phase 1		Pothole Action Fund		
	Payroll compliance testing	S	Local Transport Capital Settlement - Capital Maintenance	S	Treasury Management	S	Budget setting	S	Sunderland A1290 Safety Improvement Scheme Phase 1		
	BACS Compliance testing	S	Local Transport Capital Settlement - Integrated Transport	S	BACS	S	Capital Asset Accounting	S	Disabled Facilities Grant		
	Housing Benefit Assessment	S	Nexus (Combined Authority)	S	Payroll	S	BACS	S	Disabled Facilities Grant - Additional Monies		
	Sport for Life Grant	S	Pothole Action Fund	S	Accounts Payable	M	Payroll	S	Cycleways	S	
	EFA Funding	S	Sunderland A1290 Safety Improvement Scheme Phase 1	S	EFA Funding	S	Accounts Payable	S	Vaux Phase 1		
	Local Transport Capital Settlement	S	Better Care Fund - DFG	S	Local Transport Capital Settlement - Capital Maintenance	S	COVID-19 Compliance and Enforcement Grant	S	SSTC3 Design and Development		
	Local Transport Integrated Transport	S	Vaux Phase 1		Local Transport Capital Settlement - Integrated Transport (Combined Authority)	S			Travel Demand Management	S	
	Nexus (Combined Authority)	S	Tall Ships Cultural Programme	S	Nexus (Combined Authority)	S			Travel Demand Management - Top Up Monies	S	
	Pothole Action Fund	S	Local Transport Capital - National Productivity Investment Fund	S	Pothole Action Fund	S			Home to School/College Transport - Second Half of Spring Term	S	
	City Centre Cycle Permeability Scheme	S	A19 Ultra Low Carbon Enterprise Zone	S	Local Transport Capital Settlement - Incentive Element	S			Home to School/College Transport - Summer Term	S	
	Disabled Facilities Grant	S	External Funding	S	Better Care Fund - DFG	S					
			Building Maintenance Financial Management	L	Vaux Phase 1						
			Payroll	S	Northern Gateway	S					
			BACS	S	Local Transport Capital - Highway Maintenance	S					
			Accounts Payable	S	Liquid Logic including business processes	S					
			Liquid Logic including business processes		Pothole Action Fund - Additional Monies	S					
			Derwent Hill	S							
Income Collection (including CR/NNDR)	Cash Receipting, collection of Council Tax, NNDR, AR and PI	S	Cash Receipting	S	Cash Receipting, compliance	S	Business Rates Recovery		Business Rates Recovery		
	Business Rate Recovery	S	Accounts Receivable/Periodic Income	S	Council Tax Setting and Billing	S	Business Rates Valuation	S	Council Tax Recovery		
	Council Tax Recovery	S	Derwent Hill	S	Accounts Receivable - Recovery	S	Council Tax Valuation	S	Accounts Receivable Recovery and PI		
	AR Recovery	S			Council Tax Liability	S	Council Tax Recovery		Housing Rent Collection		
					Business Rates setting and billing	S	Accounts Receivable Recovery	S	Income Collection		

					Business Rates Liability	S	Cash Receipting	S			
Capital Programme Management			Benefits Realisation		Project Management Benefits Realisation, including capital funding	M					
HR Management	Workforce Planning and Apprenticeship Scheme		Human Resource Management - updated SAP procedures		HR - SAP Optimisation		Recruitment and Selection		Recruitment and Selection		
			Apprenticeships	S	Port - Effectiveness of Restructure						
					Communications re organisational change	S					
Health and Safety	Corporate Health and Safety Arrangements		Corporate Health and Safety Arrangements	M							
ICT Infrastructure	ICT Strategy and Infrastructure		Externally hosted systems	M			ICT Disaster Recovery and Business Continuity		ICT Disaster Recover / Business Continuity		
	Disaster Recovery/Business Continuity Arrangements	M	Intrusion prevention and incident management	M	ICT Asset management	M					
Cyber Security	Cyber Security Arrangements	M	Intrusion prevention and incident management	M	Cyber Security	M	Cyber Security	M	Cyber Security		
					Mobile Device Management	S					
Information Governance/Security	Building Access Security Sites - Remote Sites	M	General Data Protection Regulation - Compliance	M	GDPR	M	GDPR	M	GDPR		
	General Data Protection Regulations	M	Derwent Hill	S			Civica Upgrade				
Business Continuity Management	Corporate Business Continuity Arrangements	S			Update of Directorate plans re new structures	M			Corporate Business Continuity Arrangements		
Programme/Project Management	SAP Procedure Update		Benefits Realisation		Project Management Benefits Realisation, including capital funding	M	ICT Disaster Recovery and Business Continuity		Programme Governance Arrangements - Smarter Cities		
Asset Management	Corporate Asset Management	L					Collections Management - Museums		Housing Asset Management		
									Collections Management		
Anti Fraud and Corruption	Revenue Procurement	M	Building Maintenance Financial Management	L	Payroll compliance Testing		Transaction Testing NFI	S	BACS		
	Homecare Payments	L	Revenue Procurement	S	BACS compliance testing	S	Blue Badges		Purchasing Cards		
	Payroll compliance Testing	S	Use of Agency Contract	M	Cash Receipting	S	Mileage Claims	S	Income Collection		
	BACS compliance testing	S	Payroll compliance testing	S	AR Recovery	S	Testing on grants issued re Covid-19	S	Accounts Receivable Recovery and PI		
	Cash Receipting	S	BACS	S	ICT Asset Management	M	BACS	S	Accounts Payable		
	Business Rate Recovery	S	Accounts Payable	S	Council Tax Setting and Billing	S	Cash Receipting	S	Business Rates Recovery		
	Council Tax Recovery	S	Cash Receipting	S	Council Tax Liability	S	Accounts Receivable Recovery	S	Council Tax Recovery		
	AR Recovery	S	Accounts Receivable/Periodic Income	S	Accounts Payable	M	Accounts Payable	S			
			Derwent Hill	S							
			Refuse Collection	S							
Schools	27 schools in the plan, 2 cancelled, 25 completed to date. 16 Substantial, 8 Moderate, 1 Limited	S	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, 8 complete to date. 7 substantial, 1 Limited	S	
Sunderland Care and Support	Establishment Visits/Supported Living	M	Unit Costing		Risk and Assurance Framework		Risk and Assurance Framework	M	Compliance with Financial Procedures in establishments		
	Unit Costing		Risk and Assurance Framework		DPO Checks	S	DPO checks	S	ICT Security within establishments		
	Procurement/Transaction Testing		Information Governance/GDPR	M	Unit Costing		Security of service users cash in transit	S	DPO Checks		
	Governance/Audit Committee		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		
					Business Continuity (Telecare)	L	Collection of rental income	M			
					Recruitment and DBS Checks	S	Workforce planning and resilience				
Together for Children	Governance Arrangements	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim	S	Troubled Families Grant Claim		
	Effectiveness of SLA Relationships	S	Budget Monitoring	S	Schools Financial Support Service	S	Administration Support Services	S	Staff Wellbeing		
	Financial Procedures - bank account/income	M	HR management / recruitment / agency workers / performance	S	Performance Management - Data Quality	S	Complaints Procedure		Next Steps		
	Information Governance/GDPR	L	Information Governance/GDPR	L	Purchase cards	M			Nook Lodge - Compliance with Financial Procedures in Establishments		
			Next Steps	S	Achievement of cost savings		HR Case Management	L	Procurement of Independent Providers - Residential		
			Compliance with Financial Procedures within Establishments	S	Legal services		SEND Financial Framework	S	Counter Fraud		
					Designated Officer	S			National Assessment and Accreditation System Grant Claim	S	

			Liquid logic		Liquid logic	L	Purchase Cards	M			
Siglion LLP					Governance Arrangements	M	Contract/relationship management		Financial Management	S	
							Performance Management		Contract/relationship management		
							Procurement	M	Disposal of property		
							Operational Asset Management	S	Performance management		
							Financial Management				

**Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22**

<b>Efficiency and Effectiveness</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
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 – 88%
<b>Quality</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
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 96% (excluding schools)
<b>Client Satisfaction</b>			
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Actual Performance</b>
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	5 compliments 0 complaints





## **AUDIT AND GOVERNANCE COMMITTEE**

**24 September 2021**

### **TREASURY MANAGEMENT – SECOND QUARTERLY REVIEW 2021/2022**

#### **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 second quarter of 2021/2022.

#### **2. Description of Decision (Recommendations)**

- 2.1 The Committee is requested to:
- Note the Treasury Management performance during Quarter 2 of 2021/2022 (Appendix A).
  - Note the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

#### **3. Introduction**

- 3.1 This report sets out the Treasury Management performance to date for the second quarter of the financial year 2021/2022, in accordance with the requirements of the Treasury Management Policy and Strategy agreed by Council.

#### **4. Summary of Treasury Management Performance for 2021/2022 – Quarter 2**

- 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. In respect of borrowing, due to the temporary use of reserves to fund the Capital Programme no new borrowing has been required to date during 2021/2022 but the position continues to be monitored closely.
- 4.2 No refinancing of debt has been possible in 2021/2022 during the period as rates have not been considered sufficiently favourable. The Council's average interest rate on borrowing is low, currently 2.81%, 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 £1,037.108m for 2021/2022. The Council's maximum external debt during the financial year to 31<sup>st</sup> August 2021 was £486.535m 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 31<sup>st</sup> August 2021, the funds managed by the Council's Treasury Management team have achieved a rate of return on its investments of 0.12% compared with the benchmark 7 Day LIBID (London Interbank Bid) rate of - 0.08% (set at 0.125% less than the corresponding 7-Day LIBOR rate which due to the fall in gilts means the benchmark rate has become negative). 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 second quarter of 2021/2022.
- 5.2 Members are requested to note the Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D.

## Appendix A

### Detailed Treasury Management Performance – Quarter 2 2021/2022

#### 1 Borrowing Strategy and Performance – 2021/2022

- 1.1 The Borrowing Strategy for 2021/2022 was reported to Cabinet on 9<sup>th</sup> February 2021 and approved by full Council on 3<sup>rd</sup> March 2021.
- 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 0.10% Bank of England (BoE) Base Rate would remain until March 2024 due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to Gross Domestic Product (GDP) ratio falling significantly. PWLB borrowing rates were expected to rise, albeit gently, during 2021/2022 across all periods but could be subject to exceptional levels of volatility.
- 1.3 The BoE's Monetary Policy Committee (MPC) meeting on 5<sup>th</sup> August 2021 voted unanimously to leave the Base Rate unchanged at 0.10%. What has changed is the previous stance of not tightening monetary policy, to now flagging that modest interest rate increases may be on the horizon. While financial markets have been anticipating an increase in the Base Rate to 0.25% by mid-2022 and to 0.50% by the end of 2022, Link Asset Service, the Council's treasury advisors, believe any rise will not occur before mid-2023.
- 1.4 The MPC still projects GDP to grow by 7.25% in 2021 but has revised upwards its forecast for 2022 from 5.75% to 6%. There were no changes announced to its programme of quantitative easing purchases due to finish by the end of 2021 at a total of £895bn.
- 1.5 ONS data shows the annualised Consumer Price Index (CPI) inflation rate at 3.2% in August 2021, up from 2.0% in July. The 1.2% rise in CPI from July to August 2021, is the largest ever increase in the CPI 12-month inflation rate. The large change in the level of the index is likely to be a temporary effect as the situation remains volatile and uncertain. The variability and uncertainty being a direct consequence of the covid pandemic. The largest impact came from base effects, in particular, discounted restaurant and café prices resulting from the Governments Eat out Help Out scheme and the VAT reduction for the sector introduced last August. The BoE expects inflation to peak at over 4% during 2021 with MPC forecasts showing inflation slightly under its 2% target in 2-3 years. The initial surge in inflation in 2021 and 2022 is attributed to a number of factors including energy price increases and supply shortages relative to demand. An additional concern is how trade with the EU will evolve once distortions caused by the pandemic have passed now that the UK no longer has tariff-free access to EU markets.
- 1.6 Investment rates are likely to remain at very low levels throughout 2021/2022. With short-term investment rates forecast to be materially 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.

1.7 Link Asset Services, the Authority's treasury advisors, reviewed their interest rate forecasts in August 2021 in light of continued volatility in the financial markets. Their previous forecast that the BoE Base Rate would increase to 0.25% by September 2023 has been brought forward to June 2023 with a further increase to 0.50% by March 2024. These forecasts, and MPC decisions, will be liable to further amendment as updated economic data becomes available and emerging developments in the financial markets.

1.8 The following table shows the average PWLB rates for Quarters 1 and 2.

<b>2021/2022</b>	<b>Qtr 1* (Apr - June) %</b>	<b>Qtr 2* (Jul – 3<sup>rd</sup> Sep) %</b>
7 days' notice	-0.08	-0.08
1 year	0.81*	0.86*
5 years	1.18*	1.11*
10 years	1.68*	1.47*
25 years	2.14*	1.87*
50 years	1.94*	1.65*

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

1.9 High levels of volatility in the financial markets have continued during 2021/2022 although the successful roll out of the vaccination programme has boosted sterling and the markets. Continued uncertainty around the global Covid-19 infection rates and degrees to which vaccine programmes have been successfully rolled out in other countries has depressed gilt yields as investors move from riskier assets such as shares and into bonds. Investor cash flow uncertainties and the need to maintain liquidity in these unprecedented times has depressed short-term rates available to very low levels.

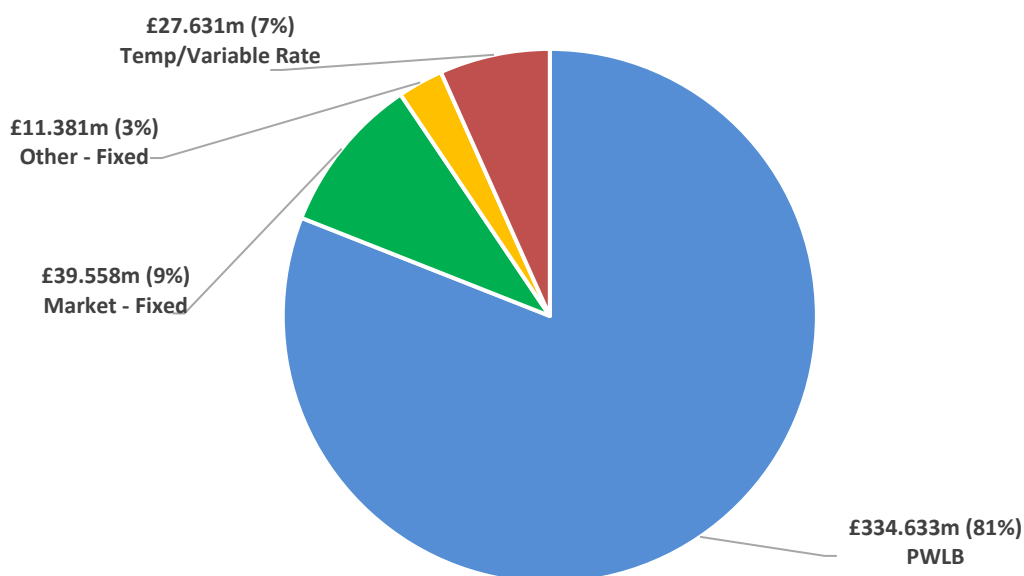
1.10 There is expected to be a gradual upward movement in PWLB rates over the next three years as world economies, including the UK, recover from the economic shock caused by the coronavirus pandemic. Link Asset Services predict a gradual rise in PWLB rates reaching 1.20%, 1.70%, 2.10% and 1.90% for 5, 10, 25 and 50-year durations respectively by 31<sup>st</sup> March 2022 with further increases of between 0.30% and 0.40% across each duration by March 2024. With so many external influences weighing on the UK economy, interest rate forecasting remains very difficult. From time to time, gilt yields, and consequently PWLB rates, can be subject to exceptional levels of volatility which could occur at any time during the forecast period.

1.11 The strategy for 2021/2022 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 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.

1.12 Due to high levels of volatility in the financial markets, with borrowing rates forecast to remain low over the short-term, no new borrowing has been undertaken in the current financial year to 31<sup>st</sup> August 2021. 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.

1.13 The Council's treasury portfolio position at 31<sup>st</sup> August 2021 is set out below:

<b>Borrowing Summary at:</b>		<b>31 August 2021</b>		
		<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Ave rate</u></b>
<b><u>Fixed</u></b>				<b>%</b>
PWLB		334,633,333	9,874,421	2.95
Market – Fixed		39,558,103	1,742,323	4.40
Other – Fixed		11,381,307	55	0.00
		<b>385,572,744</b>	<b>11,616,799</b>	<b>3.01</b>
<b><u>Variable</u></b>				
Temporary/Other – Variable		27,631,207	2,751	0.01
		<b>27,631,207</b>	<b>2,751</b>	<b>0.01</b>
<b>TOTAL:</b>		<b>413,203,950</b>	<b>11,619,550</b>	<b>2.81</b>



## 2 Prudential Indicators – 2021/2022

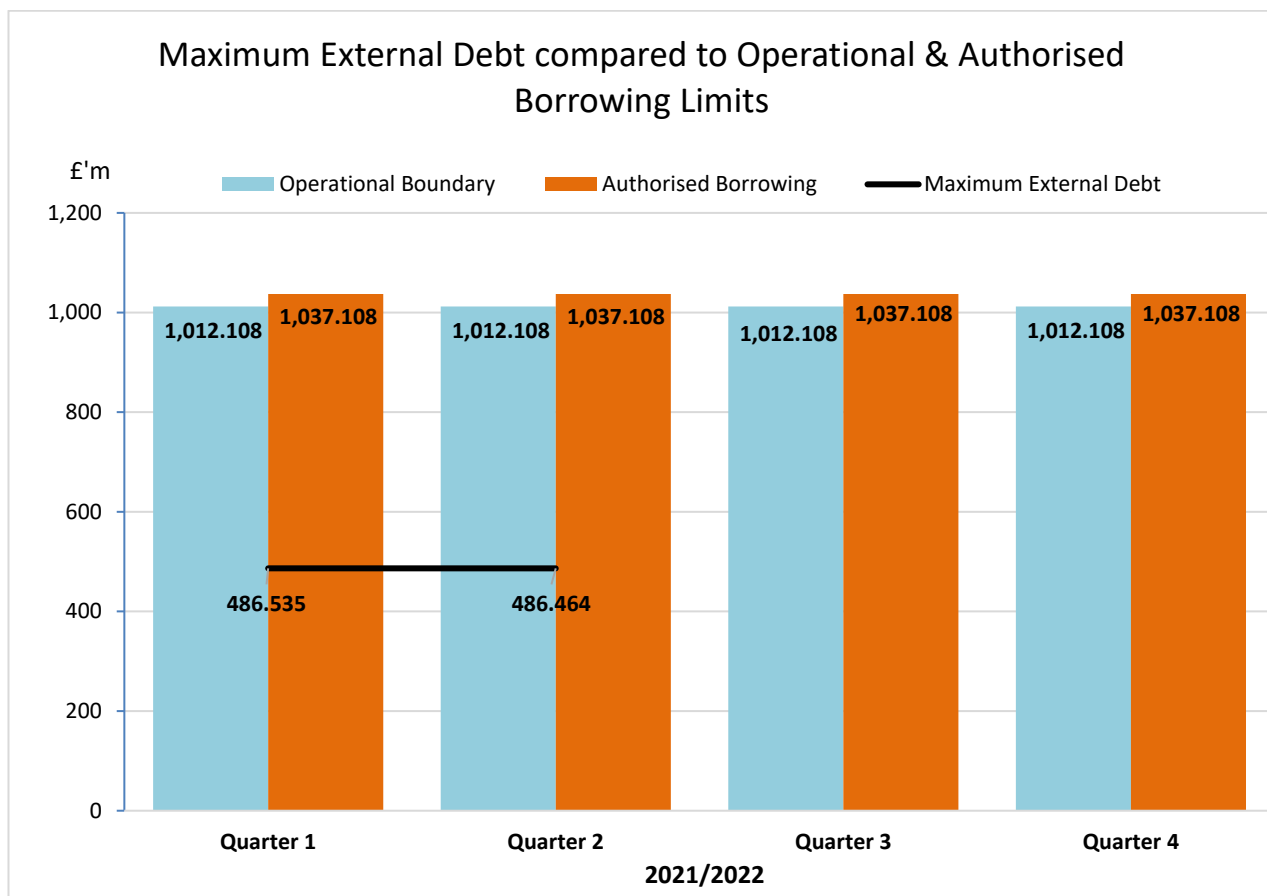
- 2.1 All external borrowing and investments undertaken in 2021/2022 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Council's performance for all 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 2021/2022 as follows:

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

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

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

The Council's maximum external debt in respect of 2021/2022 (to 31<sup>st</sup> August 2021) was £486.535m 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		2021/2022 (at 31/08/21)	
		Limit	Actual
<b>P9</b>	<b>Maturity Pattern</b>	Upper Limit	
	Under 12 months	50%	8.89%
	12 months and within 24 months	60%	1.76%
	24 months and within 5 years	80%	1.17%
	5 years plus	100%	89.30%

Prudential Indicators		2021/2022 (at 31/08/21)	
		Limit	Actual
A lower limit of 0% for all periods			
<b>P10</b>	<b>Upper limit for total principal sums invested for over 365 days</b>	75,000	0

### 3 Investment Strategy – 2021/2022

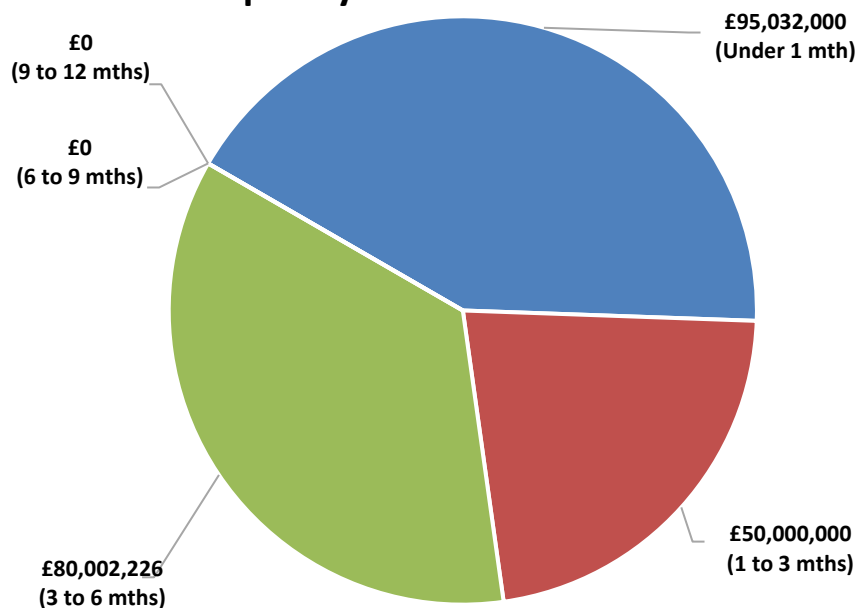
3.1 The Investment Strategy for 2021/2022 was approved by Council on 3<sup>rd</sup> March 2021. The general policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities in order of importance are:

- (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.

3.2 As at 31<sup>st</sup> August 2021, the funds managed by the Council's in-house team amounted to £225.034 million and all investments complied with the Annual Investment Strategy.

Investment Summary at: 31 August 2021					
Borrower	Duration	Amount of Loan	Rate (%)	Start Date	Maturity Date
<b>Call Accounts:</b>					
NatWest SIBA	Overnight	30,885,000	0.010		Call
Prime MMF	Overnight	14,892,000	0.010		Call
Aberdeen Liquidity Fund	Overnight	49,255,000	0.010		Call
Santander UK Plc	95d Notice	25,000,000	0.250		95 Day Notice
Lloyds Banking Group Ltd	95d Notice	5,002,226	0.050		95 Day Notice
<b>Sub-total:</b>		<b>125,034,226</b>			
<b>Fixed Term Deposits:</b>					
Santander UK Plc	218 days	25,000,000	0.450	06-Nov-20	05-Nov-21
Goldman Sachs Int Bank	182 days	25,000,000	0.250	30-Mar-21	30-Sep-21
Goldman Sachs Int Bank	182 days	10,000,000	0.185	11-Jun-21	10-Dec-21
Goldman Sachs Int Bank	193 days	10,000,000	0.150	25-Jun-21	04-Jan-22
Goldman Sachs Int Bank	176 days	20,000,000	0.140	07-Jul-21	30-Dec-21
Santander UK Plc	183 days	10,000,000	0.200	29-Jul-21	28-01-22
<b>Sub-total:</b>		<b>100,000,000</b>			
<b>TOTAL:</b>		<b>225,034,226</b>			

## Investment Liquidity:



- 3.3 The table below shows the return received on these investments compared with the benchmark 7-Day LIBID (London Interbank Bid) rate, which the Council uses to assess its performance.

	2021/2022 Actual to 31/08/21 %	2021/2022 Benchmark to 31/08/21 %
Return on investments	0.12	-0.08*

\*the 7-Day LIBID rate is set at 0.125% less than the corresponding 7-Day LIBOR rate, which due to the fall in gilts means the benchmark rate has become negative.

- 3.4 Investments placed in 2021/2022 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 and reflect the fall in the BoE Base Rate to a historic low of 0.10% on 19<sup>th</sup> March 2020.
- 3.6 Due to the continuing volatility in the financial markets resulting from Covid-19 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.

<b>Fitch / S&amp;P's Long Term Rating</b>	<b>Fitch Short Term Rating</b>	<b>S&amp;P's Short Term Rating</b>	<b>Moody's Long Term Rating</b>	<b>Moody's Short Term Rating</b>	<b>Maximum Deposit £m</b>	<b>Maximum Duration</b>
AAA	F1+	A1+	Aaa	P-1	120	2 Years
AA+	F1+	A1+	Aa1	P-1	100	2 Years
AA	F1+	A1+	Aa2	P-1	80	2 Years
AA-	F1+	A1+	Aa3	P-1	75	2 Years
A+	F1+ / F1	A-1	A1	P-1	70	365 days
A	F1	A-1	A2	P-1	65	365 days
A-	F1 / F2	A-1 / A-2	A3	P-1 / P-2	50	365 days
<b>Local Authorities</b> (limit for each local authority)					30	2 years
<b>UK Government</b> (including debt management office, gilts and treasury bills)					300	2 years
<b>Money Market Funds (CNAV, LVNAV and VNAV)</b> Maximum amount to be invested in Money Market Funds is £120m with a maximum of £50m in any one fund.					120	Liquid Deposits
<b>Local Authority controlled companies</b>					40	20 years

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	120
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
<b>UK</b>	<b>AA-</b>	<b>-</b>	<b>Aa3</b>	<b>-</b>	<b>AA</b>	<b>-</b>	<b>300</b>	
<b>Lloyds Banking Group</b>							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	70	365 days
Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
<b>Royal Bank of Scotland Group</b> (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	<b>A2</b>	<b>P-1</b>	A-	A-2	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	Baa1	P-2	A-	A-2	0	
Co-Operative Bank Plc **	<b>B+</b>	B	<b>B2</b>	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+	<b>A1</b>	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	65	365 days
Close Brothers Ltd	A-	F2	<b>Aa3</b>	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	A2	P-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
Nottingham BS **	-	-	<b>Baa3</b>	<b>P-3</b>	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS	A-	F1	<b>A2</b>	<b>P-1</b>	-	-	50	365 days
West Bromwich BS **	-	-	Ba3	NP	-	-	0	
Yorkshire BS	A-	F1	A3	P-2	-	-	50	365 days
<b>Money Market Funds</b>							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA		AAA		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
<b>Australia</b>	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
<b>Canada</b>	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+	Aa2	P-1	AA-	A-1+	50	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
<b>Denmark</b>	AAA		Aaa		AAA		50	
Danske A/S	A	F1	A2	P-1	A	A-1	50	365 days
<b>Finland</b>	AA+		Aa1		AA+		50	
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	50	2 years
<b>Germany</b>	AAA		Aaa		AAA		50	
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa1	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
<b>Netherlands</b>	AAA		Aaa		AAA		50	

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
Cooperatieve Rabobank U.A.	A+	F1	<b>Aa2</b>	P-1	A+	A-1	50	365 days
Nederlandse Waterschapsbank NV	-	-	Aaa	P-1	AAA	A-1+	50	2 years
<b>Singapore</b>	AAA		Aaa		AAA		50	
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
<b>Sweden</b>	AAA		Aaa		AAA		50	
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
<b>Switzerland</b>	AAA		Aaa		AAA		50	
Credit Suisse AG	A	F1	<b>A1</b>	P-1	A+	A-1	50	365 days
UBS AG	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
<b>USA</b>	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 31<sup>st</sup> August 2021 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.



## Risk Management Review of Treasury Management

Set out below are the risks the Council face as a result of carrying out their Treasury Management functions and the controls that are in place to mitigate those risks:

Risk	Controls
<p><b>1. Strategic Risk</b></p> <p>The Council's strategic objectives could be put at risk if borrowing costs escalated, or investment income was reduced, or there was a combination of the two. This could result in a negative impact on the Council's budget and could ultimately lead to a reduction in resources for front line services.</p>	<p>This risk is mitigated by the adoption of a Treasury Management Strategy approved by the Council in March each year for the next financial year, in accordance with the CIPFA Code of Practice on Treasury Management. The Treasury Management Strategy sets out a borrowing strategy and investment strategy for the year ahead. The strategy is based on the Treasury Management team's view on the outlook for interest rates, supplemented by the views of leading market forecasters provided by the Council's treasury advisor (currently Link Asset Services).</p> <p>The strategy also sets the Authorised Borrowing Limit (setting the maximum amount that the Council may borrow) and various prudential indicators to ensure the Treasury Management function is monitored and properly managed and controlled.</p>
<p><b>2. Interest Rate Risk</b></p> <p>The risk of fluctuations in interest rates affects both borrowing costs and investment income and could adversely impact on the Council's finances and budget for the year.</p>	<p>The Council manages its exposure to fluctuations in interest rates with a view to minimising its borrowing costs and securing the best rate of return on its investments, having regard to the security of capital, in accordance with its approved Treasury Management Strategy.</p> <p>The risk is mitigated due to the prudent view taken on interest rates adopted in the budget after taking into account the Treasury Management team's view of the financial markets, specialist expert advice, other information from the internet, other domestic and international economic data, published guidance and Government fiscal policy.</p> <p>A proactive approach is taken by the Council's Treasury Management team, which closely monitors interest rates on a daily basis and takes necessary actions to help mitigate the impact of interest rate changes over the short, medium and longer term as appropriate.</p>

## **Risk**

## **Controls**

### **3. Exchange Rate Risk**

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

All borrowings and investments are made in sterling and are therefore not subject to exchange rate risk.

This risk is minimal as all other foreign exchange transactions are automatically converted into GBP sterling by the Council's bankers on the day of the transaction.

### **4. Inflation Risk**

There is a risk that the rate of inflation will impact on interest rates as a direct result of the intervention of the Bank of England to control inflation through the use of interest rates, where inflation rates have exceeded or are projected to exceed the target rates agreed between the Bank of England and Government.

Economic data such as pay, commodities, housing and other prices are monitored by the Council's treasury advisors. These are considered as part of an overall view on the influences on inflation rates, which in turn inform the Council's view on interest rate forecasts when drafting annual budgets and reviewing treasury management performance.

Regular meetings are held with treasury advisors to provide updates on economic data to monitor any changes in inflation rates that may influence interest rates so that the Treasury Management Strategy can be revised and updated as necessary and any remedial action taken.

### **5. Counterparty Risk**

The Credit Crunch and problems encountered by some authorities with Icelandic Banks has demonstrated that there is a risk of losing funds/investments deposited with counterparties when carrying out its investment strategy activities.

The prime objective of the Council's treasury management activity in this area is the security of the capital sums it invests. Accordingly, counterparty lists and limits reflect a prudent view of the financial strength of the institutions where funds are deposited.

The Council also only uses instruments set out in its investment policy and places limits upon the level of investment with the Counterparties approved within the Council's Treasury Management Policy and Strategy Statement.

The Executive Director of Corporate Services has delegated authority to amend both the Lending Criteria and the Approved Lending List in response to changes in the financial markets should the need arise and these changes are reported to Cabinet at the next available opportunity.

The Treasury Management team continually monitor information regarding counterparties using credit ratings, news articles, the internet, Credit Default Swap prices, professional advice and other appropriate sources to formulate its own view to keep the approved lending list up to date and fully informed, using the latest available information.



## Risk

## Controls

### 6. Capital Financing and Refinancing Risk

There is a risk that opportunities for rescheduling of the Council's debt portfolio are constrained.

The risk is currently mitigated as the Council has access to the funds of the Public Works Loan Board (PWLB) and has the flexibility to temporarily use internal funds as required.

PWLB funding could come under pressure in future years because of the large and increasing amount of public debt incurred by the Government which could see a return to the operation of the PWLB quota system as operated in previous years where Government funding was restricted.

### 7. Statutory and Regulatory Risk

There is a risk that regulations covering Treasury Management will change and the Council fails to respond to those changes.

The Council ensures full compliance with the current legislative requirements under the Local Government Act 2003 and the Prudential Code, which also requires full compliance with the CIPFA Treasury Management Code of Practice. All Treasury Management Prudential Indicators are monitored daily and all Treasury Management practices fully comply with the Code of Practice and this is reported to and agreed by Council.

### 8. Treasury Management Arrangements Risk

There is a risk that the Council does not carry out its Treasury Management function effectively and thereby the Council could suffer financial loss as a result.

This is unlikely to happen because the Treasury Management function is required to ensure the Council can comply with all legislative and regulatory requirements. As such the Council has a well-established Treasury Management team that operates under the Executive Director of Corporate Services and is staffed appropriately with a good mix of both experienced and qualified staff.

Training and professional advice is regularly carried out to ensure the team is up to date and that they can inform senior management and Members of all developments and provide the necessary expert advice and guidance in this specialist area of finance.

