

# Audit Agenda



Wednesday 14 February 2024 at 7.30 pm

## Conference Room 2 - The Forum

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

### Membership

Councillor Birnie  
Councillor Douris  
Councillor Elliot

Councillor S Hobson  
Councillor Reynolds (Vice-Chair)  
Councillor Stewart (Chair)

For further information, please contact Corporate and Democratic Support on 01442 228209 or email [member.support@dacorum.gov.uk](mailto:member.support@dacorum.gov.uk)

## AGENDA

### 1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

### 2. DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

(ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

**3. MINUTES AND ACTIONS** (Pages 3 - 6)

To confirm the minutes of the previous meeting and consider the actions

**4. PUBLIC PARTICIPATION**

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation

**5. INTRODUCTION FROM THE EXTERNAL AUDITORS**

Chris Paisley from the Council's external auditors KPMG will attend to give a presentation to the committee.

**6. STATEMENT OF INTERNAL CONTROL ASSURANCE (SICA) REPORT** (Pages 7 - 44)

**7. TREASURY MANAGEMENT STRATEGY 2024/25 AND Q3 2023/24 PRUDENTIAL INDICATORS** (Pages 45 - 86)

**8. WORK PROGRAMME** (Page 87)

**9. AOB (ANY OTHER BUSINESS)**

## DACORUM BOROUGH COUNCIL

### AUDIT COMMITTEE MINUTES

22 NOVEMBER 2023

**Present:**

**Councillors:** Stewart (Chair)  
Douris  
Elliot  
Birnie  
S Hobson  
Reynolds (Vice-Chair)

**Officers:** F Jump                      Head of Financial Services  
C Silva Donayre              Strategic Director, Corporate & Commercial  
O Jackson                      Head of Housing Operations  
T Angel                          Democratic Support Officer

**Others:** Philip Lazenby (TIAA)

The meeting began at 7.30 pm.

**1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3. MINUTES AND ACTIONS**

The minutes of the previous meeting were agreed.

There was one outstanding action point from the previous meeting. F Jump said the information would be circulated to members as soon as it was available.

All other action points had been completed.

**4. PUBLIC PARTICIPATION**

There was no public participation.

**5. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT**

Please refer to the video minutes for full discussion.

Outcome

The Audit Committee noted the final internal audit reports issued for the following services, and noted the content of the SICA and progress against the annual internal audit plan.

**6. STRATEGIC RISK REGISTER Q1 AND Q2 2023/2024**

Please refer to the video minutes for full discussion.

Outcome

The Audit Committee provided feedback on the report for consideration by Cabinet when they review the Q1 and Q2 2023-24 update on the Strategic Risk Register.

**7. TREASURY MANAGEMENT 2023/2024 MID-YEAR PERFORMANCE REPORT**

Please refer to the video minutes for full discussion.

Outcome

The Audit Committee noted the 2023/24 Treasury Management performance report.

**8. WORK PROGRAMME**

There were no changes to the work programme.

The meeting ended at 8.43 pm.

### Audit Committee Action Points – November

<b>Date of meeting</b>	<b>Action point</b>	<b>Responsible officer</b>	<b>Date action completed</b>	<b>Response</b>
22/11/23	<p><u>Item 5: SICA Report – Garage Rents</u> Councillor Douris referred to the sample testing where there were three instances of renter credit balances of over £1000. He asked how much and how frequently the payments had been made to accumulate that amount of credit.</p>	O Jackson	23/11/2023	<p>The first account has been overpaying monthly between £40 to £200 since August 2021.</p> <p>The second account has been overpaying since 2019 by approximately £35 per month.</p> <p>The third account had been overpaying by £7per week since 2020.</p> <p>We haven't been actively looking at credit accounts as they haven't come to our attention beforehand, we have now a system in place to catch these early on.</p>
22/11/23	<p><u>Item 5: SICA Report</u> The Chair asked for a list of all the actions that were still open.</p>	P Lazenby / F Jump		
22/11/23	<p><u>Item 5: SICA Report – Pre Meeting Q&amp;A's</u> The Chair suggested asking the Finance and Resources Overview and Scrutiny Committee if they would benefit from sight of delivery plans for identified savings in the Medium Term Financial Strategy.</p>	F Jump		<p>The Head of Financial Services will raise with the Chair of F&amp;R OSC.</p>

**Audit Committee Action Points – September (Carried over)**

20/09/23	<u>Item 5: SICA Report</u> F Jump/Housing service to circulate a copy of risks identified in relation to housing repairs and maintenance.	F Jump	Outstanding	A list of identified risks will be circulated to Members.
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## Audit Committee

<b>Report for:</b>	Audit Committee
<b>Title of report:</b>	Summary Internal Controls Assurance (SICA) report
<b>Date:</b>	14 <sup>th</sup> February 2024
<b>Report on behalf of:</b>	Councillor Ron Tindall, Leader of the Council and Portfolio Holder for Corporate and Commercial Services
<b>Part:</b>	I
<b>If Part II, reason:</b>	N/A
<b>Appendices:</b>	Appendix A- SICA Report
<b>Background papers:</b>	None
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	SICA- Statement of Internal Controls Assurance. A regular report produced by the Council's internal auditors outlining progress against the Council's approved annual audit programme of work.

### Report Author / Responsible Officer

Fiona Jump, Head of Financial Services



Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

<b>Corporate Priorities</b>	Ensuring efficient, effective and modern service delivery
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	1. To provide committee with a progress update against the annual internal audit plan (Appendix A).
<b>Recommendation to the decision maker:</b>	1. Note the final internal audit report issued for the Council's corporate Health and Safety arrangements.

	2. Note the content of the SICA and progress against the annual internal audit plan.
<b>Period for post policy/project review:</b>	An update on progress against the approved Internal Audit programme is brought to committee on a regular basis.

## 1 Background

Attached at Appendix A is the latest SICA report. The SICA report provides Audit Committee with an update on governance, risk and internal control arrangements for the Council. The report will be presented at Audit Committee by the Council's internal auditors, TIAA. Officers for the service covered by the internal audit report issued since the last SICA was presented to Audit Committee will also be present to answer queries from Members.

## 2 Internal audits completed since the last SICA

The following audits have been completed since the last SICA was presented to Audit Committee in November 2023:

- Corporate Health and Safety- Reasonable assurance

The summary report and associated recommendations for the above audit is included in Appendix A.

TIAA use four levels of assurance assessment when undertaking internal audit review:

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

Internal audit recommendations are rated from 1, 2 or 3, with 1 being urgently required for implementation. No priority 1 recommendations have been made in respect of the audit review above.

Appendix A also includes details of progress against outstanding priority 1 and 2 recommendations. There are currently no outstanding priority 1 recommendations for the Council. In addition, Appendix A lists all other outstanding internal audit recommendations issued in relation to the 2023-24 internal audit programme of work.

## 3 Financial and value for money implications:

A robust programme of internal audit activity supports the delivery of value for money by the Council.

## 4 Legal Implications



The Council is required by law to make arrangements to undertake effective internal audit of its activities.

**5 Risk implications:**

The Council's internal audit programme is compiled on a risk- led basis.

**6 Equalities, Community Impact and Human Rights**

None arising directly from the report.

**7 Sustainability implications (including climate change, health and wellbeing, community safety)**

None arising directly from the report.

**8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)**

None arising directly from the report.

**9 Conclusion**

The SICA presented at Appendix A provides details of all internal audits completed since the November 2023 Audit Committee meeting.

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Internal Audit

Draft

## Dacorum Borough Council

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### Summary Internal Controls Assurance (SICA) Report

**2023/24**

January 2024

# Summary Internal Controls Assurance

## Introduction

1. This summary controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as 31<sup>st</sup> January 2024.

### Whistleblowing - driving the conversation

2. **The importance of a healthy culture.**

We have seen, over the last few months, the publication of several high-profile reports such as the Metropolitan Police (Casey Review March 2023), University Hospitals Birmingham (Bewick Report March 2023) and Plaid Cymru's review (conducted by Nerys Evans May 2023) where a common theme for each organisation was reported around the treatment of whistleblowers as well as 'poor' organisational culture, failures in leadership and poor whistleblowing reporting mechanisms.

There are so many high-profile incidents that have arisen over the last few years across many sectors and industries, perhaps most notably the #METOO campaign which highlighted sexual abuse in the entertainment industry spanning decades, where, despite there being many reported incidents, the individuals were ignored, ostracised or simply closed down and the matter covered up.

There is a real drive within government to look at the Whistleblowing Laws in the UK to drive through change. It is anticipated that there will be greater onus on organisations to improve their culture and to provide greater support and protection for whistleblowers. The outcome of the government's research is due for completion by the Autumn 2023.

In anticipation of the key messages coming out from the government, we in TIAA are using our expertise and knowledge to support organisations by:

1. Working with organisations to 'health check' organisational culture in respect of whistleblowing;
2. Providing a platform for those responsible for governance, raising concerns, whistleblowing and freedom to speak up guardians to share knowledge expertise, good practice in a forum event.
3. Examining poor practice and looking at the lessons to be learnt from recent incidents in webinar events and through consultation exercises such as online surveys.
4. Sharing the information through benchmarking reports and roundtable events.

Please use this link to keep up to date with our campaign and/or to be part of the conversation and drive through real change and improvement in this important area.

<https://www.ttaa.co.uk/publications/ttaa-organisational-culture-and-whistleblowing-webinar/>

**Audits completed since the last SICA report to the Audit Committee**

3. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Health & Safety – Corporate (HRA is to come)	Reasonable Assurance	18/12/2023	Various	30/01/2024	0	5	7	1

4. The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

**Progress against the 2023/24 Annual Plan**

5. Our progress against the Annual Plan for 2023/24 is set out in Appendix B.

**Progress in actioning priority 1 & 2 recommendations**

We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

**Actions outstanding and completed from audits undertaken in the current financial year**

7. Appendix D provides an update against the recommendations issued for reports issued for the current financial year. One is implemented, two are not yet due. Additionally there was one report which due to timing had not been included on the portal at the time this extract was made. That report is included in these management papers and it can be seen that had that been included it would have been indicated as not yet due (\*MTFS). It should also be noted that there is one additional report included in this progress report which has not been included as it relates to a delayed output; at Dacorum’s request, from last financial year.

**Frauds/Irregularities**

8. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

**Responsibility/Disclaimer**

9. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

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## Executive Summaries and Management Action Plans

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The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

Review	Evaluation
Health & Safety – Corporate (HRA is to come)	Reasonable

# Health and Safety (Corporate)

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Corporate Priority 1: A clean, safe and enjoyable environment

### SCOPE

H&S is a Corporate Priority and appropriate and adequate Health and Safety for Housing is a critical requirement. Previous audit reviews identified a number of initiatives regarding Health and Safety requirements as work in progress. The audit will review the findings of the previous audits follow-up and examine and test the arrangements for Health and Safety that should be in place for 2023/24 onwards. The review will ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to corporate health and safety and buildings, specifically in relation to; Fire safety, Legionella, Electrical and Gas Safety certificates, Proactive health and safety walkabouts and management of actions arising, Completion of

### KEY STRATEGIC FINDINGS



Progress has been made with implementing recommendations made in 2022/23 Internal Audit of Corporate Health and Safety including a refreshed oversight committee and a programme of training for Managers. However, our review has identified areas where suggested reports to the Corporate Health and Safety Board have not yet been implemented and work is still progressing to improve the quality of reporting and should continue to be kept under review.



Review of processes for core building compliance for a sample of four buildings (The Forum, Old Town Hall Theatre and Cupid Green Depot (Building D) identified that evidence was not available to support one Legionella risk assessment a lack of feedback from Contractors to confirm that remedial works have been completed. Subsequent to the audit evidence of the Legionella risk assessment has been provided.



Testing on health and safety checks and risk assessments at three sampled core buildings highlighted instances where checks had not been completed in full. Similarly, a sample review of five accident and incident forms identified gaps in the completeness of information recorded.

### GOOD PRACTICE IDENTIFIED



Key performance indicators have been developed and are reported to the Corporate Health and Safety Board.



Work is in progress to deliver the database for the central management of risk assessments within agreed timescales (March 2024).

### ACTION POINTS

Urgent	Important	Routine	Operational
0	5	7	1

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risk assessments, Recording and reporting of accidents and near misses, Qualified Health and Safety officer in post.

## Assurance - Key Findings and Management Action Plan (MAP)

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	A process to carry out health and safety audits across the organisation has been reviewed and developed but has not met expected timescales set to complete the review. Evidence was available to confirm that a rolling schedule of Department self-audit to be completed by Service Heads, was planned to commence in March 2023 and complete by the 30th June 2023. It is intended that the results of the self-audits will inform a programme of Health and Safety audits to be completed by the CHSR Team. The progress of the self-audit programme had been impacted by delays in delivering health and safety training to officers to support the completion of the audit forms. During the audit it was confirmed that some Self-Audit responses had been received and outstanding responses are being reported to the CHSB.	Actions be taken to expedite the outstanding self-audit responses and develop the Health and Safety audit plan for delivery in 2023/24.	2	<p><i>Achieved:</i></p> <p><i>Whilst there has not been a scheduled audit plan during 2023, the major review of health and safety across DBC which was carried out between May and November 2023, included visits to Adventure Parks, Old Town Hall, Cupid Green Depot and review of local documentation. An audit of Fleet Management was also carried out.</i></p> <p><i>TIAA report represented the situation in August 2023, when they carried out their audit. All Managers Self Audits had been received prior to publication of this audit report, with senior management support throughout to ensure completed.</i></p> <p><i>In addition:</i></p> <p><i>Health &amp; Safety Consultant was brought in to carry out a major review in May 2023. The results of this were presented to SLT on 14 December 2023 and will be presented to Cabinet early in the New Year. Only two of the Manager Self Audit responses had low scores and these have been followed up by CHSR and support provided. This</i></p>	<p>01/11/2023 (Achieved)</p> <p>01/11/2023 (Achieved)</p> <p>01/11/2023 (Achieved)</p>	<p>Strategic Director Neighbourhood Operations Health &amp; Safety Manager (Interim) Strategic Director Neighbourhood Operations</p> <p>Head of Health, Safety &amp; Resilience</p>

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.	<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.	<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<p>identified that the low scores were mainly due to a form completeness issue rather than a short fall in service provision.</p> <p>A new quarterly Head of Service reporting process was approved by the Health &amp; Safety Board in October 2023 and was implemented from January 2024 (reporting to their Strategic Director and CHSB) and this will include the action Heads of Service are taking to address their Manager Self-Audit findings.</p> <p>The CHSR Team has undergone a major restructure to ensure that the appropriate resource at the appropriate level is allocated to the team. A new Head of Health, Safety and Resilience (HHSR) started in January 2024, their sole areas of responsibility will be Health, Safety and Resilience. They will need time to address findings from the review before planning further audits. Also, our management arrangements are being documented and future Managers Self Audits will be based on these.</p> <p>Year 2 of Managers Self Audit to be carried out in Q1 2024 and this will be included in the 2024 Service Planning (as it was in 2023).</p>	<p>01/01/2024 (Achieved)</p> <p>04/10/2023 (Achieved)</p> <p>22/11/2023 (Achieved) April 2024 Dec 2024 (Achieved)</p>	<p>Health &amp; Safety Manager (Interim)</p> <p>Strategic Director Neighbourhood Operations</p> <p>HHSR</p> <p>HHSR</p>

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PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					Schedule of Audits to be developed by HHSR		
6	Directed	2022/23 Internal Audit of Corporate Health and Safety recommended developing the scope of reports to the CHSB. A review of reports to the CHSB for April and May 2023 confirmed that suggested additional reporting had been implemented with the exception of health and safety related risks identified in service areas/centrally and training statistics required from Human Resources.	CHSB reporting and Compliance report content be further enhanced to include health and safety related risks identified in service areas/centrally and risk rating for Compliance non-conformities. Human Resources be required to provide training statistics to the CHSB.	2	<p>Action already completed.</p> <p>From January 2024 CHSB will be working to new Terms of Reference. The following reports will be tabled regularly:</p> <ul style="list-style-type: none"> <li>- CHSR performance report (ongoing)</li> <li>- Building Safety Composite report (stated Oct 23) plus most recent B&amp;RS statutory compliance (FLAGEL) report (ongoing)</li> <li>- Top risks performance report – this will show Service performance against top risks identified in the H&amp;S Risk Profile (New)</li> <li>- Directorate H&amp;S Reports – compilation of narrative reports from each Head of Service (New)</li> <li>- Cupid Green Depot H&amp;S Meeting Report (Started Oct 23)</li> </ul>	<p>Dec 2023 (Achieved)</p> <p>Oct 2023 (Achieved)</p>	<p>Strategic Director Neighbourhood Operations</p> <p>Assistant Director Property Services (Interim)</p>

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>Additionally, the quality of information provided through the Compliance report required improvement and a review of the Compliance report for June 2023 confirmed that additional narrative and actions taken to address non-compliances had been included in the report. However, it was noted that the risk that non-compliances pose to the Council has not yet been incorporated into the report.</p>			<p>- Human Resources report (covering training, sickness absence, health surveillance and other work-health matters) (Started Oct 23)</p> <p>HPS have changed their compliance reports since the Audit was undertaken and now gives more information on the General Fund portfolio and presents compliance data as a percentage. A simple green for 100% compliance and red if not 100% is used.</p>		
	Directed	<p>A review of building safety compliance, including Fire Safety, Legionella, Gas and Electrical Safety for four corporate buildings (The Forum, Cupid Green Depot - Building D, Old Town Hall Theatre and the Grovehill Adventure Playground), identified that:</p> <ul style="list-style-type: none"> <li>A risk assessment to support the Legionella checks for the Cupid Green Depot - Building D could not be evidenced.</li> <li>Two actions from the fire risk assessment action plan completed on 26/07/2022 for The Forum have not been completed. One high risk relating to the Corporate Fire Policy to clarify the appointed person role and one medium risk to complete the Arson Policy.</li> </ul>	<p>Actions be taken to ensure all corporate building safety compliance checks are evidenced and completion of actions is fed back to the Building Surveyor for recording on the compliance spreadsheet.</p>	2	<p>Head of Property Services has advised that all FLAGEP compliance checks are monitored, and completion of actions is fed back to the Property Services Compliance Surveyor. Operational meetings continue with contractors and delivery of reports have improved but will continue to be monitored.</p> <p>Legionella Risk Assessment: The Head of Property Services has confirmed that the risk assessment for Building D was carried out in 2020 and is stored and managed by the Property Services Compliance Surveyor. A review was undertaken in March 2023.</p>	<p>Complete and ongoing</p> <p>16/03/2023 (Achieved)</p>	<p>Head of Property Services</p> <p>Head of Property Services</p>

## PRIORITY GRADINGS

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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<ul style="list-style-type: none"> <li>Instances were noted where there was a lack of feedback to the Building Surveyor, to confirm that actions arising from building safety checks had been satisfactorily completed. (Fire Safety - Cupid Green Depot Building D, Grovehill Adventure Playground, Legionella - Old Town Theatre, Gas Safety - The Forum, Electricity - The Forum).</li> </ul> <p>This issue was raised in the Compliance Report to the CHSB (June 2023) highlighting ". follow up works are essential in maintaining safe operations. The spreadsheet does not record completion of follow up actions".</p>			<p><i>Fire risk assessment action plan: The first matter is being addressed through rewrite of the Corporate Health and Safety Policy which clearly puts responsibility on the premises controller to ensure the local fire safety arrangements (allocated to the "Appointed Person" in the Fire Policy) have been implemented. The Managers Self Audit has shown good compliance on local fire arrangements, so although the Fire Policy needs updating in this area, this is not high risk. When the Fire Policy is updated in May 2024 the appointed person reference will be clarified and reflect the H&amp;S Policy. It will also incorporate Arson. An arson risk assessment of the Forum was conducted in September 2022.</i></p> <p><i>Note the revised H&amp;S Policy went to SLT on 15<sup>th</sup> November 2023. This is currently undergoing consultation. Once they have approved it, it will go to Cabinet for final sign off (early in the New Year).</i></p>	May 2024	HHSR
10	Directed	<p>A review of health and safety checks at core buildings (Old Town Hall Theatre, Grovehill Adventure Playground) highlighted lapses in the completeness of checks performed. Specifically;</p> <ul style="list-style-type: none"> <li>11 instances (dated January and February 2023) where a weekly check for Fire</li> </ul>	Local Health and Safety checks be recorded in full and consistent records of remedial actions be made.	2	<p><b>Old Town Hall:</b></p> <p><i>Although there were gaps in fire alarm records in February 2023, records from March up to June 2023 were complete, indicating a historic issue that has been resolved. The emergency lighting check states that the emergency lighting was</i></p>		

## PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>Alarm and Accessible Facilities at Old Town Hall Theatre had not been recorded and it could not be confirmed if all expected checks had been completed.</p> <ul style="list-style-type: none"> <li>Monthly checks on Emergency lighting at Old Town Hall Theatre (July 2023) identified that actions had not been recorded to address lighting failures for three lights in the Loft Space. Actions had been recorded for other failed lights.</li> <li>Ladder checks carried out in July 2023 identified a recommendation to replace a ladder. Confirmation of this action being completed was awaited.</li> <li>Daily safety check lists for Grovehill Adventure Playground had not been completed for some days on the checklists. No explanation was recorded for the gaps.</li> <li>Health and Safety monthly checklists for Grovehill Adventure Playground (April to June 2023) had not been completed in full. Section 1 - Policies, Section 2 - Fire precaution and Training - Staff know evacuation procedure and assembly point in the event of a fire, Section 3 - Protective Clothing - provided and worn and Section 9 - Ladders - code of practice available, numbered and checked.</li> </ul>			<p><i>working, but there was a problem with the normal lamps.</i></p> <p><i>Theatre Manager has confirmed that checks do now take place regularly and are logged accordingly. All logbooks are kept in the Old Town Hall shared drive which is accessible to OTH staff only and all staff who undertake checks know how to access them.</i></p> <p><i>The faulty lights have been replaced by Elecspec. The replacement ladder has also been purchased.</i></p> <p><b>Grovehill.</b> <i>H&amp;S Consultant recommended in July 2023 that the responsible manager for Grovehill reviewed their monthly and daily checklists to make them more relevant to the sites</i></p> <p><i>The Leisure Services manager has responded that following the recent audit, internal checks have been reviewed. These are being carried out as required and fully completed. The weekly, monthly and quarterly checks will be digitalised by 1<sup>st</sup> February 2024.</i></p>	<p>January 2024 (Achieved)</p> <p>January 2024 (Achieved)</p> <p>January 2024 (Achieved)</p>	<p><i>Assistant Director Place, Communities &amp; Enterprise</i></p> <p><i>Assistant Director Place, Communities &amp; Enterprise</i></p> <p><i>Head of Communities &amp; Leisure</i></p>

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
11	Directed	<p>A review of seven risk assessments from The Forum, Old Town Hall Theatre and Grove Hill Adventure Playground identified instances where details had not been completed in full.</p> <ul style="list-style-type: none"> <li>One action on the Microwave and Kitchen use risk assessment for The Forum (to obtain manufacturers instructions) was outstanding.</li> <li>Two hazards on Old Town Hall risk assessments (RA2 Kitchen and Bar - and RA6 Theatre Main space) where it was not recorded if further actions were required to address the hazard risk.</li> <li>Three Old Town Hall Theatre risk assessments were dated 2018 and had not been subject to recent review and update. NB: The Artistic Team Leader stated that this was due to lack of staff resource.</li> <li>One action on the Grovehill Adventure Playground risk assessment for Workplace and Welfare / Lone Working, (allocate lone working devices to staff) was outstanding.</li> <li>One hazard on the GroveHill Adventure Playground risk assessment for Safeguarding Children where it was not recorded if further action was required to address the hazard risk.</li> </ul>	Local risk assessments be reviewed and updated on a regular basis, ensuring that records are completed in full and action dates are complied with.	2	<p><i>The quality and need for regular update of risk assessments was identified in the H&amp;S review. There are actions in the review action plan to address this.</i></p> <p><i>Growth bid was submitted two years ago for database to allow for this to happen more easily. The digital H&amp;S platform is being implemented from Feb until Oct 2024 and will be used to record local risk assessments. It will enable actions arising from them to be tracked.</i></p> <p><i>Local Managers will need to review their risk assessments as part of the process of uploading them onto the database. Self-Audits have been carried out and this information has been used to highlight areas that need more support and risk assessment review first.</i></p> <p><i>A common risks risk assessment template has been developed to assist all managers with recording their risk assessment and this will be circulated after it has been to H&amp;S Board and managers required to complete it.</i></p> <p><i>The Head of Property Services has confirmed that the risk assessment for the kitchens has been updated and manufacturer's instructions provided with microwave ovens.</i></p> <p><i>H&amp;S consultant gave feedback to the responsible managers on the risk</i></p>	<p><i>Will be addressed as part of wider H&amp;S Plan</i></p> <p><i>December 2023</i></p> <p><i>February 2024</i></p> <p><i>January 2024 (Achieved)</i></p>	<p><i>HHSR / Heads of Service</i></p> <p><i>All Heads of Service</i></p> <p><i>Head of Health Safety &amp; Resilience</i></p> <p><i>Head of Property Services</i></p>

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)	
Page 23					<p>assessments referred to for the Adventure Parks and OTH Theatre as part of her review in July 2023.</p> <p>The Leisure Services Manager has confirmed that lone working devices have been provided. Risk assessments are being updated and where there are no further actioned they will ensure N/A is added.</p> <p>Theatre Manager has confirmed that there are no hazards with outstanding actions at the Theatre. The general risk assessment (originally dated April 2022) has been reviewed and no updates were needed.</p> <p>NB: New Heads of Service are being appointed in Place Communities and Enterprise. They will be responsible for ensuring risk assessments are regularly reviewed and updated going forward.</p>	<p>July 2023 (Achieved)</p> <p>January 2024 (Achieved)</p> <p>January 2024 (Achieved)</p> <p>January 2024 (Achieved)</p>	<p>Strategic Director Neighbourhood Operations</p> <p>Head of Communities &amp; Leisure</p> <p>Assistant Director Place, Communities &amp; Enterprise</p> <p>Assistant Director Place, Communities &amp; Enterprise</p>	
	1	Directed	The Health and Safety Strategy refers to Premises Safety Tours, and the Health and Safety Policy includes a requirement for workplace inspections at least quarterly. From discussions with the Health and Safety Consultant, and evidence provided from corporate areas, it was identified that there was no consistent record to document	Verification that premises safety tours / workplace inspections are completed in all services be sought and monitored centrally.	3	<p>The Managers Self Audits included questions about the premises, so this was achieved during 2023 through the manager self-audit process.</p> <p>The H&amp;S Review found that although the H&amp;S Strategy referred to premises</p>	October 2023 (Achieved)	Head of Health Safety & Resilience

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
Page 24		workplace inspections and inspections carried out were not reportable centrally for monitoring purposes. Reliance was being placed in the management responses provided on the Self Audit form to confirm that the relevant workplace inspections were being completed. At the time of the review responses from nine service areas were outstanding.			<p><i>Safety Tours there was not a process or checklist to support it and responsibility had not been allocated through the H&amp;S Policy. This has been addressed through a rewrite of the H&amp;S Policy and documenting Management Arrangements which clearly set out expectations. A separate Premises Inspection checklist to support Heads of Service / Premises Controllers in carrying out the premises safety tours is also under development. It will be linked to the managers' self-audit.</i></p> <p><i>These documents are currently going through consultation and approval. In 2024 Managers Self-Audit will be used to verify that premises safety tours have been undertaken.</i></p> <p><i>The digital H&amp;S platform will enable premises inspections to be completed and submitted electronically, giving much greater oversight of regular workplace inspections.</i></p>	<p>June 2024</p> <p>From October 2024</p>	<p>Head of Health Safety &amp; Resilience</p> <p>From October 2024</p>
	2	Directed	The Council has a standard template risk assessment form for recording and evaluating risks within workplace operational procedures. From discussions with the Health and Safety Consultant it was identified that there was a lack of guidance relating to the	Guidance for the completion of risk assessments and review be developed and communicated to all appropriate staff.	3	<p><i>Although there was no written guidance at the time of the audit, all managers attended 1-2 day health and safety training during 2023, which included guidance on risk assessment. In addition, the CHSR team set up</i></p>	July 2024

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		use and completion of the risk assessment forms and whilst Managers had risk assessments in place, these were not always reviewed on a timely basis. NB: our testing has identified instances where this was the case.			<p><i>weekly drop-in sessions at the Cupid Green Depot and Forum to support managers on risk assessment and the managers Self-Audit. The H&amp;S Consultant also provided feedback to specific managers included in the H&amp;S Review on their risk assessments.</i></p> <p><i>Some guidance on risk assessment is included in the draft DBC Management arrangements (See above). In addition, a risk assessment template to enable all managers to easily assess common H&amp;S risks has been developed. This is currently undergoing consultation.</i></p> <p><i>The need for written guidance, in addition to the training and support already offered, was identified as part of the Health and Safety Review, as the Review found that the risk assessments reviewed needed improvement. Action to address this has been incorporated into the Health and Safety Plan and the implementation of the Digital Platform will also provide an opportunity to improve the risk assessment process.</i></p> <p><i>The Health and Safety Plan will be reviewed by the new Head of CHS and CHSB and timescales determined in consultation with relevant senior managers.</i></p>	<p>January 2024 (Achieved)</p> <p>October 2024</p>	<p>Head of Health Safety &amp; Resilience</p> <p>Head of Health Safety &amp; Resilience</p>

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PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Systems have been implemented to ensure that actions arising from Board meetings are appropriately tracked. A review of CHSB papers for September and December 2022 and March 2023 confirmed that an action log had been established and was in operation. Actions in the log are assigned a risk level and a review of the action logs for December 2022 and March 2023 highlighted inconsistent use of the risk levels as per the Risk Key. Five actions were noted on the December 2022 action log where "not assigned" had been recorded as the risk level, and one action from the March 2023 action log where "not low" had been recorded.	Risk levels be assigned to all actions recorded in the action log in accordance with the Risk Key.	3	<p>Since March 2023 the tracking of actions from CHSB has continually improved. CHSR are proactively following up with those with actions and asking them to respond prior to CHSB. This enabled most actions to be ticked off prior to the October meeting.</p> <p>A new template for recording actions was introduced in October 2023. This did not include the risk rating, so this has now been reinstated.</p> <p>A report on CHSB goes to SLT and this would include highlighting actions that had not been progressed.</p>	<p>October 2023 (Achieved)</p> <p>February 2024</p>	<p>Head of Health Safety &amp; Resilience</p> <p>Head of Health Safety &amp; Resilience</p>
4	Directed	A review of actions recorded in minutes from CHSB meeting in June 2022 highlighted five actions which did not appear to have been brought forward onto the action log. However, it is acknowledged that systems were in development during this period and review of later CHSB minutes confirmed that all actions raised from September and December 2022 meetings were recorded in the action log.	Checks be undertaken to ensure that actions raised from June 2022 have been completed.	3	<p>TIAA was asked to provide details of the actions they are referring to, to assist new Head CHSR in addressing, as these actions are now 18 months old.</p> <p>1) All to fill out their BIAs and BCPs in June.</p> <p>This has been tracked and monitored through the Resilience Board and CHSR performance reports. An additional resource has been brought in to assist DBC on Resilience and they are reviewing all the BIAs and BCPs with the Heads of Service.</p> <p>2) Desktop / exercise testing review to</p>	March 2024	Head of Health Safety & Resilience

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					<p>be carried out in July, pending SLT approval.</p> <p>Exercises with CLT were carried out in August 2023 and January 2024.</p> <p>An additional resource has been brought in to assist DBC on Resilience and they are arranging some further resilience exercises over the next few months.</p> <p>3) R Rice to include dealing with first aiders in the handover meeting with B Hosier and T Moore.</p> <p>Believe this relates to the Forum, where it was agreed that Mitie provide first aid support (as DBC staff are hybrid workers).</p> <p>4) E Walker to ensure a survey of all defibrillators with respect to pads and batteries.</p> <p>5) New process to be defined to easily see what events are being held in DBC.</p> <p>There is an Events spreadsheet which is kept up to date by DBCs Events Group. A Teams Group has also been set up to aid communication. The Events Update group meets fortnightly (chaired by the Head of Health, Safety and Resilience).</p> <p>In the longer term an App is being procured which will enable all events (internal and external) to be logged and</p>	<p>January 2024 (Achieved)</p> <p>December 2022 Achieved</p> <p>April 2024</p> <p>May 2023 (Achieved)</p>	<p>Head of Health Safety &amp; Resilience</p> <p>Head of Property Services</p> <p>Head of Health, Safety &amp; Resilience</p> <p>Head of Health Safety &amp; Resilience</p>

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PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<i>monitored. This project is being led by the Communications and Engagement team.</i>	<i>June 2024</i>	<i>Head of Communications &amp; Engagement</i>
7	Directed	At the time of the review the Interim Assistant Director Neighbourhood Delivery had drafted a Health and Safety risk for consideration by the Senior Leadership Team to address gaps in recording health and safety risks in the Corporate Risk Register. Additionally, the Interim Assistant Director Neighbourhood Delivery was responsible for local health and safety risks relating to Environment Services (i.e. pest control, community protection) which were being reviewed. The Interim Assistant Director Neighbourhood Delivery left the organisation and it was unclear how the draft Health and Safety risk and review of Environment Services risks would be progressed.	An officer be nominated to progress the draft Health and Safety risk with the SLT and complete the review of Environment Services risks.	3	<i>H&amp;S Consultant was shown the strategic Risk Register on 25 August 2023. This referenced H&amp;S as part of a wider risk relating to statutory compliance.</i> <i>Heads of Service in Neighbourhood Operations have confirmed that their operational risk registers are up to date and include H&amp;S risks where appropriate.</i> <i>Note that since the audit a full H&amp;S Risk profile has been developed and is kept under review by CHSB. Consideration is being given to how this will link to operational and strategic risk registers.</i>	<i>August 2023 (Achieved)</i>  <i>January 2024 (Achieved)</i>  <i>September 2023 (Achieved)</i>	<i>Strategic Director Neighbourhood Operations</i>  <i>Strategic Director Neighbourhood Operations</i>  <i>Strategic Director Neighbourhood Operations</i>
8	Directed	A bid for funds to procure an electronic solution for recording and management of health and safety risk assessments is currently in progress and the target implementation date remains as March 2024. An assessment document "Current Corporate HS&R processes and planned requirements for H&S solution" highlights the ongoing risk that local risk assessments may not be consistently provided to the CHSR Team as	Systems be implemented to ensure that risk assessments undertaken locally are provided to the Corporate Health, Safety and Resilience Team for review.	3	<i>Electronic solution is now scheduled for implementation March – October 2024.</i> <i>It is not practical to set up a separate system ahead of implementation of the electronic solution, or for CHSR to review all local risk assessments. This requirement has been taken out of the revised Policy, but record keeping will be addressed as part of the documented Management</i>	<i>October 2024</i>	<i>Head of Digital</i>

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		required by the Health and Safety policy and it was unclear how this risk was being mitigated in the interim.			<p><i>arrangements that are being developed.</i></p> <p><i>There is an expectation that risk assessments will be provided to CHSR on request (e.g. as part of an audit) and Heads of Service are aware they can seek advice on risk assessment. Drop-in sessions have been held at Cupid Green Depot and the Forum to support this. CHSR are also actively support heads of Service and managers with risk assessment improvement work where audits have shown a need. The new "Common risks" template (currently under consultation – see above under rec 2) will assist many managers in recording their health and safety risk assessment.</i></p>		
12	Directed	<p>A review of five accident / incident forms reported to the CHSB in May 2023 highlighted areas where incident details were not completed or did not give clear answers to questions in the form.</p> <ul style="list-style-type: none"> <li>Two forms where it was noted that both "Yes" and "No" had been checked in the question response boxes.</li> <li>One form where the action recorded in Section 5 did not have an action owner or planned completion date.</li> </ul>	Accident / Incident forms be completed in full and further advice / training provided to staff to ensure question responses are appropriate.	3	<p><i>These are administrative oversights rather than risk critical. Where there are gaps on reporting forms, Corporate Health, Safety &amp; Resilience (CHSR) team will normally go back to the originator and their emailed response would be saved with the report form, unless a major revision is needed. So, some or all of these reports may have been addressed at the time.</i></p> <p><i>CHSR will continue to ensure that when they review incident forms they go back to the originator if data is incomplete or</i></p>	December 2023 (Achieved)	Head of Health, Safety & Resilience

## PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<ul style="list-style-type: none"> <li>One form where incident investigation sections had not been completed in full.</li> <li>One form, recorded as a Near Miss where the Investigation Section and not been completed by the Manager.</li> </ul> <p>NB: accident forms reported in May 2023 did not involve core buildings.</p>			<p><i>incorrect and escalate to the Head of Service if not addressed.</i></p> <p><i>In the longer term new digital reporting mechanisms will be developed as part of the digital platform, which will ensure forms are completed accurately.</i></p> <p><i>It is felt that this shortfall should not be classed as important, rather a routine violation.</i></p>	From Oct 2024	Head of Health Safety & Resilience

PRIORITY GRADINGS

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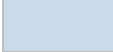
<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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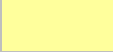
## Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
MTFS	1	Final – Report Nov	Final
Commercial Rents	2	Final – Report Nov	Final
Garage Rents	2	Final – Report Nov	Final
H&S - Corp	1	Final – Report Jan	Final
Risk Management Framework	2	Draft 15/11/2023	Awaiting Management Responses
Community Grants	2	Draft 25/10/2023	Awaiting Management Responses
Key Financial Controls	3	Draft 28/11/2023	Awaiting Management Responses
HRA H&S	1	Draft 29/01/2024	Awaiting Management Responses
Leisure Contract	3	Fieldwork Completed	Exit Meeting Booked
Budgetary Control	3	Fieldwork ongoing	In Progress
Performance Management	3	To be issued Draft 05/02/2024	Awaiting Issuance
Housing rents	4	Fieldwork ongoing	Opening meeting booked 15/11/2023
Climate Change	4	To be issued Draft 05/02/2024	Awaiting Issuance
Overtime and Additional Allowances	2	Fieldwork ongoing	In Progress
Waste Management	3	Commenced 05/02/2024	In Progress

Planning Enforcement	4	To be commenced	TBC
Housing Transformation Improvement Programme (HTIP)	4	To be commenced	TBC
Housing Allocations	4	To be commenced	TBC
Planned and Preventative Estate Maintenance	4	To be commenced	TBC

**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued





Priority 1 and 2 Recommendations - Progress update

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<p>Review title:  <b>22/23 202122 Place Strategy HGP JD</b></p>						



Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<p>The Hemel Place Board along with HGC Delivery Board, to devise a suite of metrics against key deliverables and to be reported periodically over the life of the project/ scheme.</p>	2	<p>Hemel Place and HGC will work with DBC Project Management Office to articulate the objectives and consider appropriate KPIs when in delivery mode and whether these should only be in policy development mode as well. For example KPIs are relevant to HGC capital spend for 2022/23. Hemel Place will move to delivery mode after April 2023 and it is suggested that relevant KPIs will be reported to SPEOSC going forward.</p>	<p>30/04/2023 Revised 31/12/2023</p>	<p>Programme Director, Hemel Garden Communities</p>	<p>02/11/2023 25/01/2024</p> <p><i>Hemel Place – Projects will be developed to implement and deliver the Hemel Place Strategy when finalised including the Hemel Hempstead Town Centre Vision. Appropriate KPIs and key deliverable will be developed as part of each project and will be agreed as part of the project governance through the Corporate Place Board and Hemel Place Board</i></p> <p><i>Hemel Place - Budgets will be set, approved and reported on as part of project development and governance reporting as described on 08/09/2023. This is an ongoing action as projects develop and will be embedded in the governance process as described</i></p> <p><i>At the moment, HGC does not have any live capital projects. Our key workstreams are the production of evidence in support of the Local Plan, so the member scrutiny comes via the Local Plan processes.</i></p>	

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<p>It be ensured that budgetary positions for “discreet projects” such as Hemel Place including key variances are presented on a periodic and proactive basis to Members for approval, and that this approval is documented accordingly.</p>	2	<p>The financial forecast shows an over spend of £76k as opposed to £170k and is interdependent to the Place Communities Enterprise restructure and additional spend to deliver Hemel Place priorities.</p>	<p>31/3/2023 Revised 31/12/2023</p>	<p><i>Hemel Place Strategy, Programme Manager</i></p>	<p>02/11/2023</p> <p><i>Budgets will be set, approved and reported on as part of project development and governance reporting as described on 08/09/2023</i></p> <p><i>“08/09/23</i></p> <p><i>Financial reporting on Hemel Place Strategy as well as other such projects within the service area will be included in programme management reporting moving forward as appropriate as well as included in Scrutiny reporting on programme updates.”</i></p> <p><i>As previously responded - Hemel Place - Budgets will be set, approved and reported on as part of project development and governance reporting as described on 08/09/2023. This is an ongoing action as projects develop and will be embedded in the governance process as described</i></p>	

Review title:

**22/23 Housing Repairs & Maintenance**

Recommendation	Priority	Management <i>Comments</i>	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<p>Risks related to repairs and maintenance be regularly captured and logged in order for risk to be appropriately monitored and mitigated.</p>	2	<p>The Council have a strategic risk around the ‘the inability to deliver safe and good quality homes’. This is a high level risks designed to capture housing property related risk including that relating to repairs and maintenance. There are further operational risks which are featured on the department service plan</p>	<p><b>18/08/2023</b></p> <p style="background-color: #fff9c4;">March 24.</p>	<p><i>Ian Kennedy (Interim Head of Asset Management), Steve Cooper (Repairs/key to key Team leader)</i></p>	<p>02/11/2023</p> <p><i>An operational risk register is being developed for review at the OP SL strategic core group meeting. This should be finalised by 30 November 2023.</i></p> <p style="background-color: #fff9c4;">26/01/2024</p> <p><i>An operational risk register is being developed for review at the OP SL strategic core group meeting. This has been delayed (live risks are reviewed at operational meetings) and full risk log will be in place for March 24.</i></p>	



Review title:

**22/23 Empty Homes**

Whilst it is acknowledged that the Empty Homes Team is working to resolve the delays in reletting properties, Management should devise a strategy to deal with the delays in a timely manner and/or formally and systematically evidence escalation of the issue to Senior Management.

**2** We acknowledge that there have been delays and performance has not been where we would expect this to be. The weekly WIP meeting has been restructured to ensure that properties are discussed and any delays are monitored, discussed and escalated in the timely manner. We have been working with the tenancy team and will be reintroducing the pre termination and transfer visits at the property with the tenant and will be raising the condition of the property and how this is expected to be returned at the end of their tenancy in order to reduce the works required when void which is a tenants responsibility. DBC is working with our exiting contractors and exploring the use of other contractors to improve the turnaround time on adapted properties.

31/03/2024

Lesley  
Jugoo  
Empty  
Homes  
Lead  
Officer

March 24.

6/01/2024

*The progress of void works continues to be monitored at the weekly WIP meeting, should any delays be encountered these would be escalated to the HOS and the contract manager at OPSL. A monthly report is also now in place reporting on performance and turnaround times which will be presented to HSLT / PH monthly.*

Review title:

**21/22 Safeguarding and Prevention**

The Policy be reviewed and updated in line with the proposed changes and communicated to staff at the earliest opportunity.

2 Policy is in the process of being reviewed and updated following staff changes and changes to the designated safeguarding leads.

31/07/2022  
Revised  
31/12/2023

Sue Warren,  
Lead Officer,  
Safeguarding

01/11/2023

Changes have been made to the policy as per the recommendation. There is further work to be done on the policy to make it fit for purpose and fully reflective of current safeguarding best practice. The new Head of Safe Communities is working on a thorough review of the policy prior to taking the document through the Council's approval process.

26/01/2024

As a result of a thorough review of the Safeguarding Policy, it was concluded that the policy had to be separated into two policies: Safeguarding Policy Children & Young People and Safeguarding Policy Adults at Risk to capture the relevant needs of both Adults at Risk and Children and Young People. As of January 2024, both policies are fit for purpose and ready to go through the Council's approval process. A quarterly Safeguarding Report is due to be heard at HSLT on 29 February 2024 and at SLT on 6 March 2024. Both policies will be reviewed alongside the report.

31/03/2023

Review title:

20/21 GDPR/Information Governance

<p>An exercise be undertaken to review e-records and ensure a log of any destruction is appropriately recorded.</p>	<p>2 An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives. This is a major item of work, so the timetable for implementation is adjusted to reflect this.</p>	<p>30/09/2021 Revised 31/12/2023</p>	<p>Information Security Team Leader</p>	<p>02/11/2023</p> <p>Revised implementation date due to capacity within the service and other service priorities.</p> <p>Document retention polices are in place to support appropriate review and destruction of records as needed.</p> <p>Work on review of e-records per the recommendation are expected to conclude end of December 2023.</p> <p>23/01/2024</p> <p>Records of Processing (ROPA) document has now been completed. The ROPA is now available online. Phase 2 will be to send questionnaire based on ROPA to HoS to complete. Due to other commitments I cannot provide a start date for Phase 2 , but is likely to commence Q1 2024-25.</p>
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Review title:

22/23 Corporate Health and Safety

<p>Audits be undertaken in line with the approved plan of visits (see recommendation 8).</p>	<p>2 All services have now completed the self audit, and CHSR are in the process of analysing the results to inform audit plans going forward. The new H&amp;S Risk Profile will also inform audit plans. The H&amp;S Consultant is completing a full H&amp;S Management across the Council and has started an audit of contractor management. An audit of Fleet management was also carried out in October.</p>	<p>31/12/2022 Revised 12/12/2024</p>	<p>CHSR Team</p>	<p>CHSR size has been reduced from 3 to 2 , which will impact on the number of audits that can be undertaken a year. The digital platform once in place and populated will also make it easier for the service to undertake audits, so the priority is to progress with implementation of the platform.</p> <p>The new Head of Health, Safety and Resilience starts on 8th January 2024 and he will decide the audit programme going forward, taking account of resources, the risk profile and findings from the H&amp;S Review.</p>
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KEY:

Priority Gradings (1 & 2)

<p>1</p>	<p>URGENT</p>	<p>Fundamental control issue on which action should be taken immediately.</p>	<p>2</p>	<p>IMPORTANT</p>	<p>Control issue on which action should be taken at the earliest opportunity.</p>
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Risk Mitigation

<p>CLEARED</p>	<p>Internal audit work confirms action taken addresses the risk exposure.</p>	<p>ON TARGET</p>	<p>Control issue on which action should be taken at the earliest opportunity.</p>	<p>EXPOSED</p>	<p>Target date not met &amp; risk exposure still extant</p>
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### Priority 3 Recommendations remaining open – As requested by AC

Report	FY	Recommendation	Priority	Management Response	Latest Update
<b>22/23 Housing Repairs &amp; Maintenance</b>	2022	The Council's next updated policy to include its next review date and who approved the policy.	3	Recommendation noted and will be implemented when the policy is next reviewed in August 2024.	26/01/2024  No change to due date or update.
<b>22/23 Procurement</b>	2022	Regular review of the Contracts Register to ensure accuracy true to agreements and establish action taken prior to expiration of contracts. It might also be considered to assign responsibility to this within the Commissioning & Procurement Standing Orders.	3	To ensure compliance with this recommendation, I will arrange for a review of the contract register to take place to ensure that it holds up to date and correct information. I will also ensure that a procedure note is drafted so that the client/contract manager notifies the procurement team on the extension or early termination of a contract so that the contract register can be updated. This will also be reflected in the guidance provided in the Commissioning & Procurement Standing Orders.	23/01/2024  Work is progressing to update the Contract Register and the Procurement Forward Plan to ensure that they remain up to date. The Council have also recently commissioned a contract to support improvements with the procurement and contract activities to provide greater transparency with procurement planning and contract performance.
<b>22/23 Procurement</b>	2022	Contract Management of Major Council Contracts to be reported on and supervised in line with performance indicators identified within the	3	To comply with this recommendation I will draft a paper for presentation at Commercial Board for further discussion. The paper will propose criteria for identifying what is a Major Council	23/01/2024  The Council have also recently commissioned a contract to support improvements with the procurement and



		tender proposals. This is to support the Council in hitting agreed targets, ensuring that value for money prevails, and that non-compliance or poor performance can be identified/ addressed proactively, prior to a contract failing. Frequency to be agreed between Head of Commercial Development and Scrutiny Committee.		Contract and will propose a programme of reports on contract performance to be presented to Commercial Board on an ongoing basis.	contract activities to provide greater transparency with procurement planning and contract performance.
<b>22/23 Procurement</b>	2022	It is recommended that action be taken to ensure all tender documentation is completed are retained, in conjunction with officers being reminded of the importance of doing so in line with standing Orders, procurement procedures and document retention policies.	3	In light of the recommendation I will arrange for a procedure note to be drafted and sent out reminding all staff of the responsibilities and procedures for undertaking all quotation and tendering activities. This will also include a section on document retention.	23/01/2024  The Council have also recently commissioned a contract to support improvements with the procurement and contract activities to provide greater transparency with procurement planning and contract performance. This work includes a review and update of all procurement & contract related documentation. Once completed an awareness training program will be developed and delivered across the Council
<b>21/22 Waste Management</b>	2021	The Waste Services Handbook be reviewed and updated to reflect the documentation in use.	3	A review is to take place as part of the transformation programme (Phase 1).	04/06/23  Revised Driver's Handbook prepared following consultation. To be agreed with Trade Unions.  NB/ Audit on waste Management imminent.
<b>22/23 Corporate Health &amp; Safety</b>	2022	Risk assessments undertaken locally be provided to the	3	A growth bid has been approved for the implementation of a corporate health &	23/01/2024



		Corporate Health, Safety and Resilience Team for review.		safety database that will allow the collation of this information and proper governance including review dates.	ICT have now informed us that the digital H&S platform for H&S will be developed between February - October 2024. This will enable risk assessments to be uploaded and so available to CHSR.
<b>22/23 202122 Place Strategy HGP JD</b>	2022	It be ensured that the HGC Board/ Committees/ Group Terms of References are reviewed in a timely manner and approved by the respective Body. The date of review to be noted on the document.	3	TOR were amended in Summer 2022, and due to personnel changes the MOU needs new signatures from Claire Hamilton (DBC) and Councillor Stephen Boulton (HCC)The MOU in principle has been agreed by the HGC Delivery Board. The final signatures are in progress. File headings will be amended to provide clarity over the date of review.	04/02/24  The MOU of HGC has now been agreed by all parties and will be signed at the next Board meeting on 29th February 2024.
<b>22/23 202122 Place Strategy HGP JD</b>	2022	The Council to develop a standardised project structure including requirements that there is standard project documentation, clear roles and responsibilities and something about how long records should be maintained along with standardised reporting to a project board.	3	DBC has a clear PMO office with clear documents and roles/responsibilities. The Hemel Place work will report into the DBC Corporate Place Board, chaired by James Doe, Strategic Director Place. HGC reports to the HGC Delivery Board, with an Independent Chair and in turn the HGC Delivery Board reports to DBC's Cabinet, HCC's Growth Infrastructure & Planning Cabinet Panel / Highways & Transport Cabinet Panel and SACDC's Local Plans Advisory Group. Please see the governance structures for more information which are subject to periodic reviews at key milestones, e.g. moving to delivery mode.	08/09/23  This recommendation extends beyond Hemel Place Strategy and Hemel Garden Communities to the wider organisation. The Council has standard project documentation - work is being done to embed usage across the organisation. This is a medium term project, expected conclusion February 2024.
<b>21/22 Housing Benefits</b>	2021	It must be ensured that the appropriate level of authorisation is obtained for the write off and that it is processed in 2021/22.	3	The service recognises that this account has been awaiting processing for a long time. However there are higher priority tasks to be carried out during the remaining months of 2021/22, and so it	23/01/2024  This task has remained as a low priority, as it is about housekeeping rather than materiality. The value is fully accounted for

				will have to wait until the first quarter of 2022/23 to be picked up.	<p>within the bad debt provision, but we do accept that the action needs to be taken.</p> <p>Due to the low priority, a report for the portfolio holder has not yet been prepared, but it is planned to be done before the end of Q4 2023/24</p>
<b>21/22 Procurement</b>	2021	Further actions be undertaken to improve the Council's training arrangements, as follows: Assistant Directors to identify nominated leads in each area so Procurement can ensure these staff are appropriately trained; Completion of the Procurement intranet page be progressed in line with an agreed timescale, with matters escalated where necessary.	3	The Procurement Service has already undertaken a number of training sessions with identified officers who carry out tendering activities as part of the roles. I will investigate with the GM of Technology and Digital Transformation as to when the Sharepoint update will be concluded, so that the Procurement 'Do it on Dennis' page can be updated with the latest procurement guidance for officers to follow. This will be important, as the Government have recently published its response to the consultation on 'Transforming Public Procurement and the Council have adopted a new commercial approach which will impact on the advice and guidance that Procurement will be required to provide to officers.	<p>23/01/2024</p> <p>The Council have also recently commissioned a contract to support improvements with the procurement and contract activities to provide greater transparency with procurement planning and contract performance. This work includes a review and update of all procurement &amp; contract related documentation. Once completed an awareness training program will be developed and delivered across the Council"</p>





## Audit Committee

<b>Report for:</b>	Audit Committee
<b>Title of report:</b>	Treasury Management Strategy 2024/25 and Quarter 3 2023/24 Prudential Indicators
<b>Date:</b>	14 <sup>th</sup> February 2024
<b>Report on behalf of:</b>	Cllr Ron Tindall, Leader of the Council and Portfolio Holder, Corporate and Commercial Services
<b>Part:</b>	I
<b>If Part II, reason:</b>	N/A
<b>Appendices:</b>	Appendix A Treasury Management Strategy 2024/25 Appendix B Prudential Indicators Update Q3 2023/24
<b>Background papers:</b>	None.
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	None.

### Report Author

Lexi Schultz, Manager (Financial and Regulatory Accounting)



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### Responsible Officer

Fiona Jump, Head of Financial Services



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<b>Corporate Priorities</b>	Ensuring efficient, effective and modern service delivery
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	<ol style="list-style-type: none"> <li>1. To present the proposed Treasury Management Strategy for 2024/25.</li> <li>2. To provide an update on performance against the Council's Prudential Indicators as at Quarter 3 2023/24</li> </ol>
<b>Recommendation (s) to the decision maker (s):</b>	<ol style="list-style-type: none"> <li>1. That Committee provide comments and feedback on the Treasury Management Strategy 2023/24 and the performance against the Council's prudential indicators.</li> </ol>
<b>Period for post policy/project review:</b>	Performance against the Council's treasury management strategy will be reported to Cabinet on a quarterly basis as a minimum during 2024/25.

## 1 Background- Treasury Management Strategy

The Treasury Management Strategy 2024/25 for the Council is attached at appendix A.

### *Scope and statutory framework*

CIPFA offers the following definition of treasury management activities as they apply to public sector organisations and their use of capital financing, borrowings and all investments:

- The management of an organisation's
  - investment and cash flows
  - banking
  - money market and capital market transactions
- The effective control of the risks associated with those activities
- The pursuit of optimum performance consistent with those risks

The Council's Treasury Management arrangements from 1 April 2024 onwards are required to be compliant with CIPFA's Treasury Management Code (2021). This Code identifies the prime policy objectives of local authority investment activities as the security and liquidity of its funds. Return on investments should be considered but not at the expense of security and liquidity. This requires the Council to have a sound approach to the risk management of its treasury management activities.

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

**Treasury Management Strategy (Appendix A)** - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);

- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A mid- year treasury management report (Quarter 2)** – This is primarily a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

**An annual treasury report (Quarter 4)** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Prudential Indicators monitoring report** – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year.

The annual strategy is supported by Treasury Management Principles and Practices (TMPPs). These set out the manner in which the Council will seek to achieve those policies and objectives in the strategy and how it will manage and control treasury management activities.

There are no significant changes in treasury management approach proposed in the Treasury Management Strategy 2024/25 from the current strategy. The 2024/25 strategy includes updated capital expenditure information (actual and forecast), which informs updated targets associated with the Council’s Prudential Indicators for 2024/25. Section 3 below provided more information on the Council’s Prudential Indicators.

## **2 Quarter 3 Performance against the Council’s Prudential Indicators**

Prudential indicators are set yearly as part of the Council’s Treasury Management Strategy. They set the annual limits on borrowing, and provide a basis for assessing the affordability of financing costs, external debt and capital expenditure.

The Council is required to report quarterly on a variety of prudential indicators. An update on performance against these indicators as at quarter 3 2023/24 (31<sup>st</sup> December 2023) is included at Appendix B to this report. This update and covers three areas:

- Capital financing
- Affordability of borrowing
- Treasury activity

Capital financing indicators demonstrate the affordability and sustainability of the Council’s capital programme. The Council’s council expenditure forecast and capital financing requirement (borrowing requirement) for 2023/24 have reduced since the budget was set due to slippage on the Council’s capital programme. Slippage is where capital expenditure that is expected to be incurred in one financial year/ period is delayed until a subsequent year/ period.

Affordability indicators demonstrate the affordability of the Council’s borrowing and the impact on its revenue position. These indicators typically look at costs such as interest payable on loans held by the Council and how this compares to the funds available to the Council to meet these costs.

Treasury activity indicators aim to demonstrate whether or not borrowing is within authorised limits and avoids large repayments being at the same time. Limits on investments act to secure the Council’s cash.

## **3 Financial and value for money implications:**

Where relevant, financial and value for money implications associated with the strategy are set out within Appendix A.

## **4 Legal Implications**

Where relevant, legal implications are set out within Appendix A.

**5 Risk implications:**

Contained within Appendix A.

**6 Equalities, Community Impact and Human Rights**

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

**7 Sustainability implications (including climate change, health and wellbeing, community safety)**

There are no direct sustainability implications arising from this report.

**8 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)**

There are no direct Council infrastructure implications arising from this report

**9 Conclusions**

The draft Treasury Management Strategy 2024/25 at Appendix A sets out the Council's proposed approach to its treasury management activities for the new financial year. The quarter 3 2023/24 prudential indicators update shows that the Council is currently compliant with key indicators. Slippage on the Council's capital programme and strong investment income performance largely explain where current year performance differs to targets set at the start of the financial year.



# **Dacorum Borough Council**

## **Treasury Management Strategy Statement**

**Minimum Revenue Provision Policy Statement and Annual  
Investment Strategy**

**2024/25**

## **Introduction**

### **1.1 Background**

The Council is required to operate a balanced budget, which broadly means cash raised during the year will meet cash expenditure. A primary function of the Treasury Management service is to ensure cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially, before considering investment return.

The second main function of the Treasury Management service is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure the Council can meet its capital spending obligations. Longer term cash management may involve arranging long or short term loans, or using longer term cash flow surpluses, or restructuring debt to meet Council risk or cost objectives.

The contribution the treasury management function makes is critical, as the balance of debt and investment operations ensure liquidity and hence the councils ability to meet spending commitments as they fall due, either on day-to-day revenue or in the medium term for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, adequate security of sums invested is paramount, as a loss of principal will result in a loss to the General Fund Balance.

### **1.2 Clauses to be formally adopted**

1. Dacorum Borough Council will create and maintain the following for effective treasury management:
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
  - Suitable treasury management principles and practices (TMPPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. Full Council will receive reports on its treasury management policies and activities. As a minimum this will include a mid-year review, an annual year- end report and at least two other performance reports during the financial year.

Responsibility is delegated to the Section 151 Officer for the implementation and regular monitoring of its treasury management policies and practices, and for the execution and administration of treasury management decisions. They will act in accordance with the policy statement and TMPPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

3. This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy, policies and monitoring before recommendation to Full Council.

### **1.3 Treasury Management Policy Statement**

The Council defines its treasury management activities as:

*The management of the organisation's borrowing, investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and management of these risks.

The Council acknowledges effective treasury management will support the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### **1.4 Reporting requirements**

#### **Capital Strategy**

The CIPFA revised 2021 Prudential and Treasury Management Codes requires all local authorities to prepare a capital strategy report, which provides:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to service provision
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

#### **Treasury Management reporting**

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

**Treasury Management Strategy Statement (this report)** - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A mid- year treasury management report (Quarter 2)** – This is a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

**An annual treasury report (Quarter 4)** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Financial monitoring report** – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year.

**Scrutiny** – The above reports are required to be scrutinised before being recommended to the Council. Cabinet undertakes this role supported by the Audit Committee and 3 Overview and Scrutiny groups where relevant.

## **1.5 Treasury Management Strategy for 2024/25**

The strategy for 2024/25 covers two main areas:

### 1. Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

### 2. Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential and Treasury Management Codes, DLUHC MRP and Investment Guidance.

## **1.6 Training**

The CIPFA Code requires Councillors and Officers with responsibility for treasury management have appropriate skills and adequate training.

The Council will carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Ensure learning plans for treasury management officers and relevant Council members.
- Require treasury management officers and SLT/council members to undertake self-assessment against the required competencies.
- Through regular communication encourage Officers, SLT and Council members to highlight training needs on an ongoing basis.

Training needs of treasury management officers are regularly reviewed as part of the Council's performance development reviews. Records of Member training is kept by Member Support.

## 1.7 Treasury management consultants

The Council uses Link Group as its external treasury management advisors. The Council recognises the value in employing external treasury management services to access specialist skills and resources. Responsibility for treasury management decisions remain with the organisation at all times and will ensure undue reliance is not placed upon our external advisors. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

The Council will ensure the terms of their appointment and methods by which their value are assessed are properly agreed and documented, and subject to regular review.

## 2. The Capital Prudential Indicators 2024/25 – 2027/28

The Council's capital expenditure plans are the key driver of treasury management activity. The capital expenditure plan is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

### 2.1 Capital expenditure

The first prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the capital expenditure plans and financing. Any shortfall of resources results in a borrowing need. Members are asked to approve the capital expenditure forecast:

**Table 1: Capital Expenditure**

<b>Capital expenditure</b>	<b>2022/23 Actual £m</b>	<b>2023/24 Forecast £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>
General Fund*	2.199	8.392	10.621	21.543	23.241	6.697
HRA	34.884	58.982	60.192	41.183	29.257	25.421
<b>Total</b>	<b>37.083</b>	<b>67.374</b>	<b>70.814</b>	<b>62.725</b>	<b>52.497</b>	<b>32.118</b>
<b>Financed by:</b>						
Capital grants & S106	5.478	12.615	8.185	0.741	4.041	1.341
Capital receipts & reserves	31.605	32.695	34.351	26.271	14.515	13.617
Internal Borrowing- General Fund	0	0.000	0.000	12.443	19.200	0.473
External Borrowing- General Fund	0	0.000	0.000	0.000	0.000	4.883
Internal Borrowing- HRA	0	22.064	13.740	5.000	0.000	0.000
External Borrowing-HRA	0	0.000	14.538	18.271	14.742	11.804
<b>Net financing need for the year</b>	<b>37.083</b>	<b>67.374</b>	<b>70.814</b>	<b>62.725</b>	<b>52.497</b>	<b>32.118</b>

\* excludes £6m loan treated as capital expenditure in 2022/23.

The financing need excludes other long-term liabilities, such as leasing arrangements. Capital Expenditure excludes Capital loans to other bodies.

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Capital expenditure, which is not immediately paid for, increases the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes long term liabilities like finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, they include a borrowing facility so the Council is not required to separately borrow.

The Council is asked to approve the CFR projections below:

**Table 2: Capital Financing Requirement**

	2022/23 Actuals £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
<b>Capital Financing Requirement</b>						
CFR – non housing	18.272	17.930	18.587	30.699	49.318	53.709
CFR – housing	331.077	350.832	375.775	394.604	403.708	410.402
<b>Total CFR</b>	<b>349.349</b>	<b>368.761</b>	<b>394.363</b>	<b>425.302</b>	<b>453.026</b>	<b>464.111</b>
<b>Movement in CFR</b>		<b>19.412</b>	<b>25.601</b>	<b>30.940</b>	<b>27.723</b>	<b>11.085</b>
<b>Movement in CFR represented by:</b>						
Net financing need for the annual approved Capital Programme		22.064	28.278	35.714	33.941	17.160
Net financing need for the year-Loans for Capital Purposes		(0.010)	(0.010)	0	0	0
Accounting changes in lease treatments		0	1	0	0	0
General Fund Minimum Revenue Provision & HRA Debt Repayment		(2.642)	(3.667)	(4.774)	(6.218)	(6.075)
<b>Movement in CFR</b>		<b>19.412</b>	<b>25.601</b>	<b>30.940</b>	<b>27.723</b>	<b>11.085</b>

## 2.3 Liability Benchmark (LB)

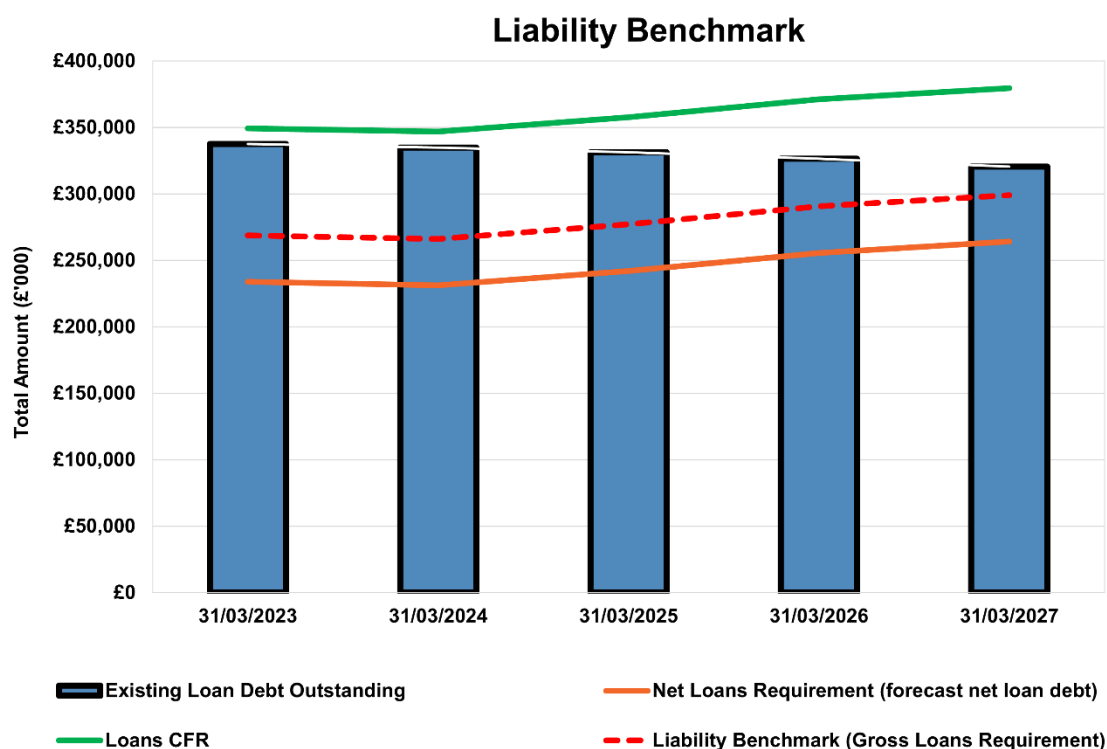
The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the LB: -

1. Existing loan debt outstanding: the Authority's existing loans still outstanding in future years.
2. Loans CFR: calculated in accordance with the definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and

based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Council is asked to approve the LB projections below:



## 2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the Capital Financing Requirement through a charge to revenue known as the minimum revenue provision (MRP). DLUHC regulations require full Council to approve an MRP Statement in advance of each year. A variety of options for calculating MRP are allowed as long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

The MRP policy will be:

Asset life method – MRP based on the estimated life of the assets, in accordance with regulations;

This option provides for a reduction in the borrowing need over approximately the asset's life. This approach is consistent with the MRP policy in previous years.

There is no requirement on the HRA to make a minimum revenue provision but a charge for depreciation must be made. Repayments included in finance leases are applied as MRP.

MRP Overpayments/Voluntary Revenue Provisions (VRP) - DLUHC MRP Guidance allows any charges made over the statutory MRP, can be reclaimed in later years if necessary or prudent. In order to be reclaimed for use in the budget, this policy must disclose historical cumulative overpayments made. Up until the 31 March 2024, the total VRP overpayments are £0.481m.

The Council has and may provide loans to Parish Councils and other public sector bodies for capital purposes. The Capital Financing Requirement (CFR) will increase by the principal amount of the loan. The loan will be repaid in full and may include interest. The repayment of principal is classed as a capital receipt, and the CFR will reduce accordingly. As this is, a temporary arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim, so there is no MRP charge.

## 2.5 Core funds and expected investment balances

The use of funds to finance capital expenditure or support the revenue budget will have an ongoing impact on investments, unless supplemented from new sources (asset sales etc.). Detailed below are estimates of the year end balances and anticipated day to day cash flow balances. These balances are available to the Council to support any internal borrowing requirements for the financing of the Council's capital programme.

**Table 3: Cash Balances**

Year End Resources	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Fund balances / reserves	53.625	56.590	59.688	62.931	66.582	70.786
Capital receipts	40.394	29.761	16.665	9.723	12.585	15.690
Provisions	8.955	9.000	9.000	9.000	9.000	9.000
Other	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total core funds</b>	<b>102.974</b>	<b>95.351</b>	<b>85.353</b>	<b>81.654</b>	<b>88.168</b>	<b>95.476</b>
Working capital		5.000	5.000	5.000	5.000	5.000
(Under)/over borrowing		(33.765)	(47.489)	(64.935)	(83.898)	(83.760)
<b>Expected investments</b>		<b>66.586</b>	<b>42.864</b>	<b>21.718</b>	<b>9.269</b>	<b>16.716</b>

## 2.6 Affordability prudential indicators

Prudential indicators are required to assess the affordability of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

## 2.7 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term costs net of investment income) against the net revenue stream.

**Table 4: Ratio of Borrowing to Revenue.**

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund	-3.20%	-0.32%	-0.93%	-1.17%	-1.12%	-0.50%
HRA	19.14%	17.77%	20.68%	22.28%	23.71%	23.15%



## 2.8 Table 5: HRA ratios

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
HRA debt £m	331.08	328.77	339.97	353.80	362.90	369.60
HRA revenues £m	61.633	71.067	71.735	73.899	76.615	78.475
Ratio of debt to revenues %	537%	463%	474%	479%	474%	471%
Number of HRA dwellings	10,051	10,086	10,225	10,305	10,285	10,265
Debt per dwelling £	32,940	32,596	33,249	34,333	35,285	36,006

## 3. Borrowing

The treasury management function organises the Council's cash in accordance with relevant professional codes, so sufficient cash is available to meet capital expenditure plans set out in section 2 and in the Council's capital strategy. This involves both the organisation of the cash flow and, where capital plans require, appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current portfolio position

The overall treasury management portfolio at 31<sup>st</sup> March 2023 and 31<sup>st</sup> December 2023 are shown below for both borrowing and investments.

**Table 6: Treasury Portfolio**

	TREASURY PORTFOLIO			
	Actual 31.3.23 £k	Actual 31.3.23 %	Current 31.12.23 £k	Current 31.12.23 %
<b>Treasury investments</b>				
Banks	58,418	56%	34,678	29%
Building societies – rated	27,000	26%	12,500	10%
DMADF (HM Treasury)	10,000	10%	47,000	39%
Money market funds	8,250	8%	25,000	21%
<b>Total managed in house</b>	<b>103,668</b>	<b>100%</b>	<b>119,178</b>	<b>100%</b>
<b>Total managed externally</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total treasury investments</b>	<b>103,668</b>	<b>100%</b>	<b>119,178</b>	<b>100%</b>
<b>Treasury external borrowing</b>				
PWLB	337,446	100%	337,446	100%
<b>Total external borrowing</b>	<b>337,446</b>	<b>100%</b>	<b>337,446</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>(233,778)</b>	<b>0</b>	<b>(218,268)</b>	<b>0</b>

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting over or under borrowing.

One key indicator is the Council must ensure its gross debt does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following 2 financial years. This allows flexibility for some early borrowing for future years, but ensures borrowing is not undertaken for revenue purposes or to generate a profit. The Council complies.

**Table 7: Financing and Debt Projections**

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
<b>External Debt</b>						
Debt at 1 April	349.680	337.446	334.808	345.685	359.179	367.940
Expected change in Debt	(12.233)	(2.638)	10.877	13.494	8.761	11.223
Other long-term liabilities	0.188	0.188	1.188	1.188	1.188	1.188
<b>Actual gross debt at 31 March</b>	<b>337.634</b>	<b>334.996</b>	<b>346.873</b>	<b>360.367</b>	<b>369.128</b>	<b>380.351</b>
The Capital Financing Requirement	349.349	368.761	394.363	425.302	453.026	464.111
(Under)/over borrowing	<b>(11.715)</b>	<b>(33.765)</b>	<b>(47.489)</b>	<b>(64.935)</b>	<b>(83.898)</b>	<b>(83.760)</b>

\* Under borrowing is a term used to highlight that the organisation is intending to utilise and/or currently using cash balances to borrow internally to support the financing requirement, rather than external loans.

The Council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

There was a substantial rise in the cost of both short-and long-term borrowing over the last 18 months. Bank rates rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank rate was 3% higher than at the end of September 2022.

The current strategy in the short term will be to delay external borrowing, and to fund capital expenditure, which is not met by capital receipts and grants, from internal cash resources. This reduces the net cost to the council when borrowing rates are higher than investment rates and reduces the amount of surplus cash for which suitable investment counterparties must be found until the cash is required. As such there is no new external borrowing requirement in 2024/25.

### **3.2 Treasury Indicators: Limits to borrowing activity**

- a) **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed.

**Table 8: Operational Boundary**

Operational boundary	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	337.446	345.685	359.179	367.940	379.163
Other long term liabilities	0.188	1.188	1.188	1.188	1.188
<b>Total</b>	<b>337.634</b>	<b>346.873</b>	<b>360.367</b>	<b>369.128</b>	<b>380.351</b>

**The authorised limit for external debt.** This represents a limit beyond which external debt is prohibited and needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable long term. The Council is asked to approve the following authorised limits to 2027/28:

**Table 9: Authorised Limit**

Authorised limit	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	400	420	420	450	450
Other long term liabilities	10	10	10	10	10
<b>Total</b>	<b>410</b>	<b>430</b>	<b>430</b>	<b>460</b>	<b>460</b>

The table below shows projections of CFR and borrowing:

**Table 10: CFR and Borrowing projections**

Capital Financing Requirement including leases						
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
HRA CFR	331.077	350.832	375.775	394.604	403.708	410.402
GF CFR	18.272	17.930	18.587	30.699	49.318	53.709
<b>Total CFR</b>	<b>349.349</b>	<b>368.761</b>	<b>394.363</b>	<b>425.302</b>	<b>453.026</b>	<b>464.111</b>
External Borrowing	337.446	334.808	345.685	359.179	367.940	379.163
Other long term liabilities	0.188	0.188	1.188	1.188	1.188	1.188
<b>Total Debt</b>	<b>337.634</b>	<b>334.996</b>	<b>346.873</b>	<b>360.367</b>	<b>369.128</b>	<b>380.351</b>
Authorised Limit*		410.000	430.000	430.000	460.000	460.000
Operational Boundary		337.634	346.873	360.367	369.128	380.351

### 3.3 Maturity Structure of borrowing

These gross limits are set to reduce the /Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

**Table 11: Borrowing Maturity Schedule**

<b>Maturity structure of fixed interest rate borrowing 2024/25</b>		
	Lower	Upper
Under 12 months	0.00%	2.00%
12 months to 2 years	0.00%	2.00%
2 years to 5 years	0.00%	6.00%
5 years to 10 years	2.00%	20.00%
10 years and above	5.00%	70.00%
<b>Maturity structure of variable interest rate borrowing 2024/25</b>		
	Lower	Upper
Under 12 months	0.00%	1.00%
12 months to 2 years	0.00%	2.00%
2 years to 5 years	0.00%	2.00%
5 years to 10 years	0.00%	0.00%
10 years and above	0.00%	0.00%

### 3.4 Borrowing strategy

The Chief Finance Officer will monitor interest rates and liaise with the treasury advisers to adopt a pragmatic approach to changing circumstances, specifically in relation to refinancing, delaying capital expenditure and taking on new borrowing. Decisions will be reported to the appropriate governing body in a timely manner.

### 3.5 Policy on borrowing in advance of need

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

Risks associated with any borrowing in advance will be subject to prior appraisal and subsequent reporting through the mid-year, annual or quarterly reporting.

### 3.6 Prospects for Interest Rates

The Councils Treasury Advisors provided the following view for interest rates on 08 January 2024. The Bank Rate is the Bank of England base rate of interest.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

### 3.7 Investment and borrowing rates

LINK Group forecast for interest rates reflects a view that the Monetary Policy Committee (MPC) would be keen to keep the Bank Rate at 5.25% until at least the second half of 2024 to help manage inflation. They forecast a mild recession over the coming months although recent GDP data has not shown this. Reducing interest rates by the MPC will be a fine judgment: cut too soon, and inflationary pressures may increase further; cut too late and any downturn or recession may be prolonged. The overall longer-run forecast is for the bank rate and PWLB rates is to fall during the next 3 years, as inflation starts to fall.

### 3.8 Debt rescheduling

Debt rescheduling involves the Council paying off its debt prior to the agreed maturity date. Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling and/or early repayment of existing debt is to be undertaken, this will be reported to Cabinet at the earliest meeting following completion of the repayment.

### 3.9 New financial institutions as a source of borrowing and / or types of borrowing

The Council's current source of borrowing is the PWLB. Other borrowing sources available to the Council to finance its capital programme are:

- Local authorities
- Financial institutions
- Municipal Bonds Agency

Our advisors keep us informed as to the relative merits of each of these alternative funding sources. This Authority may use these alternative sources of borrowing as and when appropriate.

## 4. Annual Investment Strategy

### 4.1 Investment policy

The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021.

The Council's investment priorities will be security first, liquidity second and then yield.

The above guidance from DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This enables diversification and avoidance of concentrated risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment also takes account of information that reflects market opinion. The Council will engage with its Treasury advisors Link Group to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- Other information used will include the financial press and share prices in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- Dacorum Borough Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 1 under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year, or have less than a year left to run to maturity if originally they were originally classified as non-specified investments solely due to the maturity period exceeding one year.
  - **Non-specified investments** are those with a high credit quality, but lower than specified investments, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being the lower of 50% of the total investment portfolio or £40m.
- Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table described in paragraph 4.2.
- Transaction limits are set for each type of investment in Appendix 1.
- The Council will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 4.5).
- Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.2).

- The Council has engaged external consultants, (see paragraph 1.7), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in sterling.
- As a result of changes in accounting standards IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges to the General Fund. DLUHC have extended the current statutory temporary override to delay implementation of IFRS 9 to March 2025 to allow local authorities time to adjust their portfolio of all pooled investments. There is no currently no impact for the Council.

The Council will also pursue value for money in treasury management and will regularly monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7).

#### **4.2 Creditworthiness policy**

Dacorum uses the creditworthiness service provided by Link Group. This service employs a modelling approach using credit ratings from the three main credit rating agencies.

The credit ratings of counterparties are supplemented with the following:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of credit default swap spreads resulting in a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

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

The Link creditworthiness service uses a wider array of information other than just primary ratings. Using a risk weighted scoring system, it does not give undue preponderance to one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of Link's creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Senior Financials benchmark and other market data daily via Passport website, provided exclusively by Link Group. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will use market data and market information, information on any external support for banks to help support its decision making process.

The expected significant levels of downgrades to short and long-term credit ratings have not materialised since March 2020. In the main, where they did change, any alterations were limited to outlooks. This Authority will not set a minimum sovereign debt rating for the UK.

#### **4.3 Country limits**

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors. The Section 151 Officer will determine approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, as set out in 4.2. Officers will remove counterparties from this list should ratings change in accordance with this policy. Counterparties will only be added with approval from the Section 151 Officer and following consultation with the treasury advisers.

#### **4.4 Local Authority Counterparties**

In light of some Local Authorities issuing S114 notices (issued by an authority's s151 office is of the view that expenditure of the authority is likely to exceed the resources available to meet that expenditure), the Council has taken advice in respect of Local Authority counterparties. This states that local authorities continue to represent a low risk investment. The Council will continue to include Local Authority counterparties in its list of potential investment counterparties.

#### **4.5 Investment strategy**

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for up to 12 months).

If it is thought that Bank Rates are likely to stagnate and then decline within the time horizon being considered, as such consideration will be given to the length and types of investments that are undertaken, with consideration given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations: The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25%. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months are as follows:



**Table 12: Projected Investment Returns**

2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
Later years	3.25%

As there are so many variables, caution must be exercised in respect of all interest rate forecasts.

#### **Investment treasury indicator and limit**

Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£m</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Principal sums invested for longer than 365 days	Lower of 50% of portfolio or £40m.	Lower of 50% of portfolio or £40m.	Lower of 50% of portfolio or £40m.

For its cash flow generated balances, the Council will utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) to benefit from compounding interest.

#### **4.6 Treasury Management Counterparty Limits**

The Investment limits for counterparties is set as part of the annual Treasury Management Strategy. No changes have been made for 2024/25. The Council is asked to approve the limits below:

**Table 13: Counter Party Limits:**

**Average Forecast DBC Investment balance 2024/25: £76.28m**

<b>Counterparty Limits</b>		
<b>Colour Band (duration</b>	<b>Limit £m</b>	<b>Current limit as a % of total average investment balance*</b>
Green (3 months)	9	11.80%
Red (6 months)	11	14.42%
Orange ( 1 year)	12.5	16.39%
Purple (2 years)	12.5	16.39%
Blue (1 year, incl. NatWest own Bank)	14.5	19.01%

\*the Council is able to invest in 'yellow' banded counterparties (duration up to 5 years), which are not shown in this table. These include investments with the DMO and MMFs.

#### **4.7 Investment performance / risk benchmarking**

These benchmarks are simple guides to minimise risk; so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

The purpose of the benchmark is that officers will monitor the position and amend operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Cabinet, with supporting reasons in the mid-year and annual report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables is 0.010%.

Liquidity – in respect of this area the Council seeks to maintain:

- Maximum bank overdraft - £0.25m
- Liquid deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be around 100 days

Yield - local measures of yield benchmarks for investments is to achieve internal returns above the 7 day SONIA (Sterling Overnight Index Average) rate.

At the financial year end, Council will report on its investment activity in its Annual Treasury Report.

#### **4.8 Transactional Limits**

There may be occasions the Council is in receipt of large income transactions from land and property sales etc. In these instances, every effort is made to ensure the council remains within the counterparty limits as set by the Treasury Management Strategy. Due to the nature of these transactions, a provision of 'one working day' is given to allow for surplus funds to be redistributed from the Councils bank to available counterparties as per the creditworthiness policy in 4.2.

#### **4.9 External fund managers**

The Council does not currently use fund managers. If deemed appropriate in the future, the decision go through Cabinet for recommendation to Full Council.

#### **4.10 Non - Treasury Investments**

The Council recognises investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful management. Such activity may include loans to support service outcomes, investment in subsidiaries and investment property portfolios and is covered by the Council's normal approvals processes for revenue and capital expenditure. The Council's portfolio of investment properties are managed as part of the Council's asset management strategy.

**4.11** The Council is supportive of the Principles for Responsible Investment (PRI) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. The PRI is a United Nations supported initiative for incorporating ESG issues into investment practice. This includes a Statement on ESG in Credit Risk and

Ratings, which incorporates ESG into credit ratings and analysis in a systemic and transparent way The Council is appreciative of the Statement on ESG in Credit Risk and Ratings. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.

## Appendix 1: Credit and Counterparty Risk Management

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the below categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

**Specified Investments:** All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for longer than 12 months, will be classified as specified once the remaining period to maturity falls to under 12 months.)

	Minimum Credit criteria/ colour band	Use
Debt Management Agency Deposit Facility	Yellow	In-house & Fund
Term deposits – UK Government (including other local authorities)	Yellow	In-house & Fund Managers
Term deposits – banks and building societies	See 4.2	In-house & Fund
Term deposits – housing associations	See 4.2	In-house & Fund
Certificates of deposit issued by banks & building	See 4.2	In-house & Fund
UK Government Gilts	Yellow	In-house & Fund
Money Market Funds (CNAV)	AAA	In-house & Fund
Money Market Funds (LVNAV)	AAA	In-house & Fund
Money Market Funds (VNAV)	AAA	In-house & Fund
Ultra-Short Dated Bond Funds with a credit score	AAA	In-house & Fund
Ultra-Short Dated Bond Funds with a credit score	AAA	In-house & Fund
UK Government Treasury bills	Yellow	In-house & Fund

### Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK part nationalised banks	See Link's Creditworthy list	In-house and Fund Managers	£14.5M per institution	12 months

**Non-specified Investments:** These are any investments which do not meet the specified investment criteria. A maximum of the lower of 50% of the portfolio, or £40m will be held in aggregate in non-specified investment.

	Minimum Credit Criteria	Use	Max. maturity period
Term deposits – UK Government and Other Local Authorities	Yellow	In-house & Fund Managers	5 years
Term deposits – banks and building societies	See 4.2	In-house & Fund Managers	5 years
Certificates of deposit issued by banks and building societies	See 4.2	In-house & Fund Managers	5 years
Gilt Funds	UK sovereign rating	In-house & Fund Managers	5 years
UK Government gilts	Yellow	In-house & Fund Managers	5 years
Bonds issued by multilateral development banks	AAA	In-house & Fund Managers	5 years

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions. To ensure the Council is protected from adverse revenue impacts, we will review accounting implications of new transactions before they are undertaken.

## **Appendix 2- Treasury Management Principle 1: Risk Management (Extract from Treasury Management Principles and Practices)**

### **Treasury Management Practice 1: Risk Management**

*The responsible officer will, in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements:*

- *Design, implement and monitor all arrangements for the identification, management and control of treasury management risk;*
- *Report at least annually on the adequacy/suitability thereof;*
- *Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect;*

*In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.*

#### **1. Liquidity Risk Management**

*Dacorum Borough Council (DBC) will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business/service objectives.*

*DBC will only borrow in advance of need where there is a clear business case for doing so, and will only do so for the current capital programme or to finance future debt maturities.*

Liquidity risk is the risk cash will not be available when required. This can jeopardise the ability of the Council to carry out its functions, or disrupt those functions being carried out in the most cost-effective manner. The Council will ensure its cash flow forecasting gives as accurate a picture as possible of income and expenditure, and the resulting daily cash balances.

#### **Amounts of Approved Minimum Cash Balances and Short-term Investments**

The Treasury Management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day, to minimise credit interest foregone and overdraft interest payable. Borrowing and lending shall be arranged, in conjunction with 'auto-sweeping' of balances, to achieve this aim.

#### **Investment of Short-Term Funds**

Each morning the Bank's daily forecast figures are aggregated with any other anticipated cash flows (e.g. cash courier receipts, RTB funds flows income) to produce a consolidated forecast balance for the end of the day. Any short-term credit balance will be either:

- Transferred in to the Council's Call Account with its bankers NatWest plc (RBS); or
- Placed in a Business Reserve Account with selected approved counterparties who offer this facility;
- Placed into a Money Market Fund.

All funds lodged in these ways are instantly available if required.

The Council receives interest if its consolidated balance on any particular night shows a credit balance.

### **Bank Overdraft Arrangements**

A £0.25m net overdraft facility is available with the Council's bankers. Overdraft charges are only applicable if the Council's consolidated balance on any particular night is overdrawn, and charged in line with the Bank Contract.

### **Short-Term Borrowing Facilities**

Short-term borrowing is very rarely required. If undertaken, this is done through brokers on the London Money Market, or Public Works Loan Board. Approved borrowing limits are set out in the Treasury Management Strategy Statement.

### **Insurance/Guarantee Facilities**

There are no specific insurance or guarantee facilities as the above arrangements are regarded as adequate to cover all unforeseen occurrences.

## **2. Interest Rate Risk Management**

*DBC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as described in TMP6 Reporting Requirements and Management Information Arrangements.*

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

Interest rate risk is the risk unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than budgeted. The Council will minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and discussing with them its strategy for the coming year for the investments and debt portfolios. It will also determine appropriate limits and trigger points as set out below.

The limits and strategy are set out in the annual Treasury Management Strategy Statement including details on the approved interest rate exposure limit, trigger points and guidelines for managing changes to interest rate levels and minimum/maximum proportions of variable/fixed rate debt and interest. The strategy is produced before the start of each financial year and periodically reviewed during the year to see if modifications are required in the light of actual movements in interest rates.

### **Forward Dealing**

Consideration will be given to dealing on forward periods dependent upon market conditions. Investments may be agreed weeks or months in advance if market conditions suggest this is appropriate. Any forward deals, whose maturity date is over one year hence at the time the investment is agreed, will only be undertaken with the approval of the Section 151 Officer.

Occasionally investments are agreed a few days in advance for administrative convenience (e.g. due to annual leave).

### **Callable Deposits**

The Council will use callable deposits. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments in the Treasury Management Strategy Statement.

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

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

Exchange rate risk is the risk unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than budgeted. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will seek to minimise what risk it does have by using the policies below.

#### **Approved Criteria for Managing Changes in Exchange Rate Levels**

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.

The Council will adopt a full hedging strategy to control and add certainty to the sterling value of any foreign currency transactions above £10,000 in value (at the prevailing exchange rate). This will mean the Council will eliminate all material foreign exchange exposures as soon as identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy for material foreign currency transactions. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

### **4. Credit and Counterparty Risk Management**

*Dacorum Borough Council regards the primary objective of its treasury management activities to be the security of the principal sums it invests. The Council will ensure its counterparty lists and limits reflect a prudent attitude towards counterparties with whom funds may be deposited. Furthermore, the Council will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document.*

The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of organisations from which it may borrow or enter into other financing arrangements.

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.



As a holder of public funds, the Council recognises its prime responsibility to always put first preserving the principal of sums it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

### **Criteria to be used for Creating/Managing Approved Counterparty Lists/Limits**

The Council places a strong reliance on its treasury adviser Link Group to help manage credit and counterparty risk. Link has much greater market expertise and direct access to market knowledge than the Council. None the less, the Council recognises all advice provided by Link is precisely that, and full responsibility for all counterparties used, and investments placed, rests entirely with the Council.

The three elements to managing credit and counterparty risk are:

- 1) Determining '*Specified and 'Non-Specified' Investments*' criteria;
- 2) Determining '*Approved Lending Policy*', which sets out minimum credit criteria, duration and monetary amount limits;
- 3) Managing the '*Approved Lending List*' (or list of counterparties).

### **Specified and Non-Specified Investments**

The Council will determine through its Treasury Management Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories. Specified Investments are sterling investments of not more than one year maturity (or the ability to be repaid within one year), meeting the minimum 'high' rating criteria and require '*minimal procedural formalities*'. Non-specified investments are any other type of investment. Maximum amounts and maturity periods along with overall limits are set out in the Treasury Management Strategy Statement.

### **Lending Policy**

The Lending Policy is based on Link guidance. This uses different ratings combinations and allocates those meeting the minimum criteria a colour as set out in the Treasury Management Strategy Statement. The Council has allocated each of these colour bands a maximum duration and amount. Any changes to the Treasury Management Statement require Full Council approval.

### **Money Market Funds**

Money Market Funds will be used in line with the Councils' Treasury Management Strategy. Funds used will be reviewed on at least an annual basis in March, unless market conditions, trends and external advice suggests reviews should be undertaken sooner.

### **Approved Lending List**

The list of approved counterparties is derived from applying the limits in the Treasury Management Strategy to the weekly ratings list of deposit takers provided by Link. The list includes domestic and foreign banks, building societies, supranational institutions and multi-lateral development banks. It is supplemented by a ratings alert service for changes to the ratings of individual counterparties.

If the Council uses external fund managers, they will adhere to the Council's counterparty credit criteria and maximum individual limits; however fund managers may use a subset of the derived counterparty list.

The Regulatory and Financial Accounting Team is responsible for maintaining the Approved Lending List on the Council's Investment System and for ensuring any changes are communicated to the fund manager, where appropriate.

A full copy of the Council's approved counterparties, along with their individual amount and duration limits, will be included in the Treasury Management Annual Report.

## **5. Refinancing Risk Management**

*The Council will ensure its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.*

*The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.*

Refinancing risk is the risk when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms reflecting assumptions made in formulating the budget.

### **Debt / Other Capital Financing Maturity Profiling, Policies and Practices**

Due to Housing Self Finance in March 2012, the Council acquired over a thirty year period fixed term loans from the Public Works Loan Board (PWLb). This transaction was subject to detailed reports and approvals, and a specific audit.

The Council borrowed in May 2015 to support General Fund Capital Expenditure. Borrowing activities and strategies and limits are identified within the Treasury Management Strategy Statement.

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

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

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

Rescheduling will be reported to Cabinet at the meeting immediately following its action.

### **Projected Capital Investment Requirements**

Regular updates are made to the Authority's revenue and capital budget projections. These projections identify the key capital items (both expenditure and income) forecast for forthcoming years, and this analysis is used to ensure the Council will have sufficient funds available in forthcoming years. The responsible officer will also draw up a capital strategy report giving a longer term view.

Capital expenditure and long-term liabilities definition will follow recommended accounting practice.

### **Policy Concerning Limits on Revenue Consequences of Capital Financing**

The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will take into account affordability in the longer term beyond this three year period. The Council will use the definitions in the Prudential Code for borrowing, capital expenditure, financing costs, investments, net borrowing, net revenue stream, and other long-term liabilities.

Whenever major capital projects are planned, a full examination is taken of the potential revenue impact. Issues considered include revenue costs/benefits resulting directly from the project, and the impact on revenue of interest receipts foregone as a consequence of capital investment proposed.

### **Capital Receipts Generated by the HRA to fund Capital expenditure**

For each Right to Buy council house disposal, the Council retains the '1-4-1' receipt, which can be used to fund 40% of new build expenditure within 5 years. Any unused '1-4-1' receipts are to be returned to Government with interest.

The Council can also use 100% of its non- Right to Buy Housing receipts and a small proportion of right to buy council house sales relating to adjusted allowable debt and the local authority's share capital. Receipts under £10,000 are not subject to pooling.

## **6. Legal and Regulatory Risk Management**

*Dacorum Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[4] Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.*

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

Legal and regulatory risk is the risk either the Council or a third party it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

### **References to Relevant Statutes and Regulations**

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

## **Legislation**

### **Statutes**

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities.
- Local Government Act 2003 and (Commencement No.1 and Transitional Provisions and Savings) Order 2003
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Amendments.
- Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004
- Local Government and Public Involvement in Health Act 2007 s238 (2) – power to issue guidance; to be used re: MRP
- The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- Localism Act 2011
- Accounts and Audit Regulations 2015
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

### **Guidance and codes of practice**

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

- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: A statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Guide. Formally the Financial Conduct Authority's Code of Market Conduct

### **Dacorum Borough Council**

- The Council's Standing Orders;
- The Council's Financial Regulations;
- The Council's Scheme of Delegation;
- The Council's Treasury Management Strategy;
- The Council's Treasury Management Practices – Principles & Practices;

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

The Council's powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12;

Borrowing: Local Government Act 2003, section 1;

### **Required Information from Counterparties Concerning their Powers / Authorities**

Lending shall only be made to counterparties on the Council's Approved Lending List. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by various credit agencies and the Council's own data.

### **Statement on the Council's Political Risks and Management of these Risks**

The Chief Financial Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to, and manage appropriately, political risks such as a change of the majority Group, in the Leader of the Council or a change of Government.

### **Monitoring Officer**

The Monitoring officer is the Assistant Director Legal and Democratic Services. The duty of this officer is to ensure treasury management activities of the Council are lawful.

### **Chief Financial Officer/ S151 Officer**

The Chief Financial Officer is the S151 Officer. The duty of this officer is to ensure financial affairs of the Council are conducted in a prudent manner and report to the Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

The Deputy S151 Officer is the Head of Financial Services, who can deputise fully for the S151 Officer.

## **7. Fraud, Error and Corruption, and Contingency Management**

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

Fraud, error and corruption risk is the risk the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will:

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;
- b) Fully document all its treasury management activities so there can be no possible confusion as to what proper procedures are;
- c) Ensure staff will not be allowed to engage in treasury management activities until they have had proper training in procedures; and then subject to an adequate and appropriate level of supervision
- d) Ensure records are maintained of all treasury management transactions, so there is a full audit trail and evidence of the appropriate checks being carried out.

### **Details of Systems and Procedures to be followed, Including Internet Services**

#### **Authority**

The Council's Financial Regulations sets out the Council's delegation arrangements with regard to Treasury Management. These are summarised in *TMP5*.

#### **Investment and Borrowing Transactions**

Adequate and effective cash flow forecasting records are maintained on the Council's Investments system to support any decisions made to place investments.

A detailed register of all investments is maintained within the Council's Investments system. This includes full details of counterparty limits, along with other information including investment amounts, value and maturity dates, interest rates, and gross interest receivable.

All transactions placed through brokers, Link's Agency Treasury Services (ATS) or via direct dealing are confirmed, showing details of the transaction. Written confirmation is received from both broker and borrower and checked against the dealer's records. Any discrepancies are immediately reported to the Finance Manager Financial and Regulatory Accounting for resolution. The Council does not send any confirmations of its own.

#### **Regularity and Security**

All lending, for investment purposes, is only made to counterparties on the Council's Approved Lending List. This list provides individual authorisation limits for each counter party.

Most Investments are paid direct into the appropriate counterparty's bank account (as advised by the broker or counterparty), and investments are repaid direct from the counterparty into the Council's General Account. The exception is investments using Link Agency Treasury

Services. These are paid to the Link ATS trustee account and then repaid to the Council's General Account.

Counterparty limits are set for every institution that the Council invests with.

Brokers have been provided with a list of named Council officials who are authorised to place investments on the Council's behalf.

The Council's Bank holds a list of Council officers who are authorised signatories. Updates of this list are notified to the bank when current authorised signatories leave, or new signatories join. Notifications of amendments are only accepted by the bank if they are signed by an existing (non-departing) authorised signatory.

All investments are paid by CHAPS instruction through the online banking system. This is undertaken by two of the authorised bank account signatories and the officer agreeing an investment cannot be one of the signatories for that particular investment.

### **Checks**

The Investment System balances are reconciled to the balance sheet ledger codes at the end of each month and at the financial year-end. The System includes comprehensive reconciliation checks back to the Council's banking system to ensure all investments are correctly recorded and processed.

### **Emergency and Contingency Planning Arrangements**

All computer files are backed up on the server to enable files to be accessed from remote sites.

The Council's Investment and banking systems are both internet based so can be accessed from any site or computer, subject to the user having the appropriate access and security information.

### **Insurance Cover Details**

The Council has Crime insurance cover. This policy covers loss resulting directly from any crime committed by any employee or any third party. The total limit of indemnity provided is £1,000,000, a policy excess of £100,000 for each and every claim applies.

The Council also has Officials Indemnity cover. This provides cover in respect of the Council's legal liability to pay claimant's damages and costs for financial losses arising as a result of the negligent acts or accidental errors and omissions of Council employees, occurring in the course of their duties. The limit of indemnity is £5,000,000, a policy excess of £75,000 for each and every claim applies.

The Council has Business Interruption cover as part of its property insurance. This covers additional costs of working and loss of revenue if an insured event occurs.

### **8. Market Risk Management**

*Dacorum Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the*

*principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.*

Market risk is the risk through adverse market fluctuations in the value of principal sums, the Council borrows and invests, its stated policies and objectives are compromised, against which it had failed to protect itself adequately. The Council does not currently have exposure to investments whose capital may fluctuate (gilts, Corporate Deposits), and will only undertake such activities on discussion with the S151 Officer and Portfolio Holder (Corporate and Commercial Services), and if the current Investment Strategy allows such investments.

## **9. Environmental, Social and Governance Factors**

The Council is supportive of the Principles for Responsible Investment and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. The Council is appreciative of the Statement on ESG in Credit Risk and Ratings which incorporates ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.



**Appendix 3 – Link Asset Services’ Approved Lending List – UK Banks and Financial Institutions**

<b>Country</b>	<b>Counterparty</b>	<b>Approved Duration</b>	<b>DBC Current Limit (M)</b>
U.K	Al Rayan Bank Plc	6 months	11
U.K	Bank of Scotland PLC (RFB)	6 months	11
U.K	Barclays Bank PLC (NRFB)	6 months	11
U.K	Barclays Bank UK PLC (RFB)	6 months	11
U.K	Close Brothers Ltd	6 months	11
U.K	Clydesdale Bank PLC	100 days	9
U.K	Goldman Sachs International Bank	6 months	11
U.K	Handelsbanken Plc	12 months	12.5
U.K	HSBC Bank PLC (NRFB)	12 months	12.5
U.K	HSBC UK Bank Plc (RFB)	12 months	12.5
U.K	Lloyds Bank Corporate Markets Plc (NRFB)	6 months	11
U.K	Lloyds Bank Plc (RFB)	6 months	11
U.K	National Bank Of Kuwait (International) PLC	6 months	11
U.K	NatWest Markets Plc (NRFB)	6 months	11
U.K	Santander Financial Services plc (NRFB)	6 months	11
U.K	Santander UK plc	6 months	11
U.K	SMBC Bank International Plc	6 months	11
U.K	Standard Chartered Bank	6 months	11
U.K	Coventry BS	6 months	11
U.K	Leeds BS	100 days	9
U.K	Nationwide BS	6 months	11
U.K	Skipton Building Society	6 months	11
U.K	Yorkshire BS	100 days	9
U.K	National Westminster Bank PLC (RFB)	12 months	14.5
U.K	The Royal Bank of Scotland Plc (RFB)	12 months	14.5

## **Appendix 4: Treasury management roles and scheme of delegation**

### **Full Council**

- receiving and reviewing reports on treasury management activities;
- approval of annual strategy;
- approval of/amendments to the organisation's adopted clauses and treasury management policy statement;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

### **Cabinet**

- reviewing the treasury management strategy and reports and making recommendations to the responsible body.

### **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices, reviewing regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- approving the selection of external service providers and agreeing terms of appointment;
- approving the use of non-UK counterparties as appropriate;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term time frame;
- ensuring the capital strategy is prudent, sustainable, affordable in the long term and provides value for money;
- ensuring due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
  - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
  - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
  - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

## Quarterly Reporting on Prudential Indicators

### 1. Capital Financing Indicators

Indicators 1-2 demonstrate the affordability and sustainability of the Council's capital programme.

	<b>Indicator</b>	<b>Description</b>	<b>2023/24 Treasury Management Strategy reference.</b>	<b>2023/24 Budget £M</b>	<b>2023/24 Q1 estimate for year £M</b>	<b>2023/24 Q2 estimate for year £M</b>	<b>2023/24 Q3 estimate for year £M</b>	<b>2023/24 Q4 estimate for year £M</b>
1	Capital Expenditure	Monitors capital expenditure projections against budget. Capital expenditure is a key driver of Treasury Management activity.	2.1	113.719	81.191	72.584	67.374	
2	The Capital Financing Requirement (CFR)	Monitors the Council's underlying need to borrow for capital purposes against projections set out in the budget.	2.2	393.901	370.2544	372.763	368.761	

Forecast Capital Expenditure for 2023/24 has reduced since the budget was set due to slippage. This has reduced the Council's borrowing requirement for the year.

## 2. Affordability Indicators

Indicators 3-5 demonstrate the affordability of the Council's borrowing on revenue.

	<b>Indicator</b>	<b>Description</b>	<b>2023/24 Treasury Management Strategy reference.</b>	<b>2023/24 Budget £M</b>	<b>2023/24 Q1 estimate for year £M</b>	<b>2023/24 Q2 estimate for year £M</b>	<b>2023/24 Q3 estimate for year £M</b>	<b>2023/24 Q4 estimate for year £M</b>
3	Ratio of Financing costs to net revenue stream- General Fund*	Monitors the percentage of revenue budget required to cover capital financing costs against budget projections.	2.7	-0.11%	-9.64%	-12.36%	-12.99%	
4	Ratio of Financing costs to net revenue stream- Housing Revenue Account	Monitors the percentage of revenue budget required to cover capital financing costs against budget projections.	2.7	17.29%	14.63%	13.84%	14.24%	
5	Ratio of HRA debt to revenues %	Compares the total HRA debt to the 23/24 HRA income against budget projections.	2.8	546%	506%	495%	509%	

\*revised for quarter 1 and 2.

The General Fund's ratio of financing costs to net revenue stream is negative as currently the council is earning more interest income on investments than is being spent on interest paid on loans and the minimum revenue provision.

### 3. Treasury Indicators

Treasury indicators ensure borrowing is within authorised limits and avoids large repayments being at the same time. Limits on investments act to secure the Council's cash.

	<b>Indicator</b>	<b>Description</b>	<b>2023/24 Treasury Management Strategy reference.</b>	<b>2023/24 Budget £M</b>	<b>2023/24 Q1 estimate for year £M</b>	<b>2023/24 Q2 estimate for year £M</b>	<b>2023/24 Q3 estimate for year £M</b>	<b>2023/24 Q4 estimate for year £M</b>
6	Gross Debt does not exceed the Capital Financing Requirement	Ensures borrowing is not undertaken for revenue purposes or to generate profit.	3.1	Complies	Complies	Complies	Complies	
7	Operational Debt Boundary	Limit beyond which external debt is not normally expected to exceed.	3.2	355.402	355.402	355.402	355.402	
8	Authorised Limit for External Debt	Limit beyond which external debt is prohibited and needs to be revised by full Council.	3.2	410.000	410.000	410.000	410.000	
9	Maturity Structure of borrowing (fixed and variable)	Limits to reduce exposure to large sums falling due for refinancing at the same time.	3.3	Complies	Complies	Complies	Complies	
10	Upper limit for principal sums invested for longer than 365 days	Limit of lower of 50% of portfolio or £40m.	4.5		Complies	Complies	Complies	
11	Security of Investments- Compliance with Counterparty Limits.	Limit on investment balances held with Counterparties	4.6		Complies	Complies	Complies	
12	Liability Benchmark	Calculated using the net loan requirement plus an allowance for short term investments needed to provide an adequate but not excessive level of liquidity for daily cash flow management.	2.3	295.74	288.13	290.640	286.6477	

MEETING DATE	REPORT DEADLINE	STANDING ITEMS	ADDITIONAL ITEMS
<b>20/03/24</b>	<b>12/03/24</b>	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	External Audit Plan 2023-24 Statement of Internal Control Assurance report Internal Audit Plan 2024-25 Strategic Risk Register Q3 2023-24 update Homes England Compliance Audit- Annual Report 2023/24