

South Hams Audit and Governance Committee



Title:	Agenda						
Date:	Thursday, 9th March, 2023						
Time:	2.00 pm						
Venue:	Council Chamber - Follaton House						
Full Members:	<p style="text-align: center;">Chairman Cllr Austen</p> <p style="text-align: center;">Vice Chairman Cllr Spencer</p> <p><i>Members:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Cllr Brazil</td> <td style="width: 33%;">Cllr Rowe</td> </tr> <tr> <td>Cllr McKay</td> <td>Cllr Taylor</td> </tr> <tr> <td>Cllr Pennington</td> <td></td> </tr> </table>	Cllr Brazil	Cllr Rowe	Cllr McKay	Cllr Taylor	Cllr Pennington	
Cllr Brazil	Cllr Rowe						
Cllr McKay	Cllr Taylor						
Cllr Pennington							
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.						
Committee administrator:	Democratic.Services@swdevon.gov.uk						

1. Minutes	1 - 4
To approve as a correct record the minutes of the Audit Committee held on 24 November 2022;	
2. Urgent Business	
Brought forward at the discretion of the Chairman;	
3. Division of Agenda	
To consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
4. Declarations of Interest	
In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this meeting;	
5. Grant Thornton Audit Progress Report and Sector Update	5 - 14
6. Proposed Internal Audit Plan for 2023-24	15 - 34
7. Update on Progress on the 2022/23 Internal Audit Plan	35 - 50
8. 2023/24 Capital Strategy, 2023/24 Treasury Management Strategy and 2023/24 Investment Strategy	51 - 104
9. Budget Book 2023/24	105 - 144
10. Shared Services Methodology 2022/23	145 - 158
11. Treasury Management Mid-Year Report 2022/23	159 - 172
12. Strategic Risk Update	173 - 186
13. Sundry Debt	187 - 196

**MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE
 HELD IN THE COUNCIL CHAMBER, FOLLATON HOUSE, PLYMOUTH ROAD,
 TOTNES ON THURSDAY, 24 NOVEMBER 2022**

Members in attendance			
* Denotes attendance			
∅ Denotes apology for absence			
*	Cllr L Austen (Chairman)	*	Cllr R Rowe
∅	Cllr J Brazil	*	Cllr B Spencer (Vice-Chairman)
∅	Cllr J McKay	*	Cllr B Taylor
∅	Cllr J T Pennington		

Member(s) also in attendance:
Cllrs H D Bastone; N Hopwood (via Teams) and J Pearce

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer; Head of Finance; Democratic Services Manager; Internal Audit Manager; and External Auditor.

AG.26/22 MINUTES

The minutes of the Audit and Governance Committee meeting held on 20 October 2022 were confirmed as a true and correct record.

AG.27/22 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

AG.28/22 GRANT THORNTON AUDIT FINDINGS REPORT

A Grant Thornton report was considered that highlighted the key matters arising from their audit of the Council’s financial statements for the year ended 31 March 2022.

The External Auditor took Members through the report and explained that the Council had been given a clean bill of health by its external auditors, Grant Thornton LLP, who intended to issue an unqualified opinion on the Council’s Accounts by the end of November 2022. This meant that the Council’s financial statements were properly prepared in accordance with the Accounting Code of Practice and gave a true and fair view of the financial position of the Council and its income and expenditure for the year.

Grant Thornton made specific reference to the high quality of the work and accounting records by the Council's finance team with only presentational adjustments to the draft accounts as a result of the audit. They stated that this reflected favourably in comparison to other Councils.

In discussion, the following points were highlighted:

- (a) The Committee was advised that there was a national issue affecting the completion of Audits for all Local Authorities with responsibility for significant Infrastructure Assets. A Statutory Instrument was awaited to resolve this issue and it was anticipated that it would come into force during early 2023. Until in place, Grant Thornton was unfortunately unable to formally complete the Audit. A Member questioned the nature of 'Infrastructure Assets' and it was confirmed that, for South Hams, this included the: Salcombe Fish Quay, Dartmouth Ferry Slipway, Pontoons and the Kingsbridge Quay Wall;
- (b) Members referenced the increasing duration of the annual Audit process with the completion dates having moved back from 31 July to 30 November over recent years and were disappointed that, through no fault of the Council, the Audit of the 2021/22 financial year would not be completed until well into 2023;
- (c) With regard to Value for Money requirements, it was noted that no significant weaknesses had been identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of Resources;
- (d) It was noted that good progress had been made against a recommendation generated during the 2020/21 audit in relation to the time and manual intervention previously required to produce transaction reports, with the information having been successfully drawn directly from the Software system for the 2022 Audit;
- (e) Members expressed their gratitude to the Section 151 Officer, Head of Finance and the Finance team for their hard work and commitment in managing the Council's resources so effectively.

It was then:

RESOLVED

That the contents of the Grant Thornton Audit Findings Report be noted.

AG.29/22

ANNUAL STATEMENT OF ACCOUNTS 2021/2022

Consideration was given to a report that presented a summary of net revenue and capital expenditure and sought approval of the audited Statement of Accounts for 2020/21.

The lead Executive Member for Finance gave thanks to the Finance Team and stated that the audited Statement of Accounts was a great credit to them and to the Council.

It was then

RESOLVED

1. That the wording of the Letter of Representation (as at Appendix A of the presented agenda report) be approved;
2. That the audited Statement of Accounts for the financial year ended 31 March 2022 (as at Appendix B of the presented agenda report) be approved;
3. That the Annual Governance Statement post audit (as set out at Appendix C of the presented agenda report) be approved;
4. That authority be delegated to the Chairman of the Audit and Governance Committee to sign off the Accounts following any notional changes required from the publication of the infrastructure assets statutory instrument (as detailed in paragraphs 4.1 to 4.5 of the published agenda report).

AG.30/22 UPDATE ON PROGRESS ON THE 2022-23 INTERNAL AUDIT PLAN

A report was considered that sought to inform Members of the principal activities and findings to date of the Council's Internal Audit Team for 2022/23.

In discussion, the following points were raised:

- (a) The Committee was informed that three Internal Audits had recently been completed and had delivered 'Substantial Assurance'. These were Audits of: 'Treasury Management'; 'Contract Management – Leisure'; and the 'Business Grants Scheme'. Members noted that the Audit of the Business Grants Scheme had been undertaken during the period that £86 Million had been paid through 16,600 Covid Support Grants which were administered at pace and with the appropriate due diligence fraud checks being in place;
- (b) Officers stated that three further Audits that had rec been undertaken into: 'Payroll'; the 'Dartmouth Lower Ferry'; and 'Climate Change' had delivered 'Reasonable Assurance';
- (c) It was noted that Fraud was a growing issue nationally and it was confirmed that a Fraud Risk Assessment was planned to take place over the coming months;
- (d) A Member suggested that, to help lessen the risk of Fraud, error and

theft, the Council might consider conducting a review into ending cash transactions across all of its services (e.g. the taking of cash in Council car parks);

- (e) The Committee noted that there was good progress being made to deliver most of the audit plan by April / May 2023.

It was then:

RESOLVED

That the progress made against the 2022/23 internal audit plan, and any key issues arising be noted and approved.

AG.31/22 AUDIT & GOVERNANCE COMMITTEE WORKPLAN 2022-23

Members were presented with the latest version of the Committee Work Programme and noted its contents.

(Meeting commenced at 2:00 pm and concluded at 2.50 pm)

Chairman

South Hams District Council Audit Progress Report and Sector Update

Year ending 31 March 2023

March 2023
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Sector Update	05

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2023

Financial Statements Audit 2021/22

We will shortly be issuing our 2021/22 audit opinion. Audit findings were reported to the Committee in November 2022. The anticipated audit opinion will be unqualified.

Financial Statements Audit 2022/23

We have notified officers that the 2022/23 financial statement audit fieldwork will be delayed due to audit resourcing shortages. This will mean that the audit opinion will be delivered after the September 2023 publication date.

This is not a reflection of the Council's finance team who propose to produce the draft financial statements by 31 May 2023. Although the Senior Leadership Team at the Council have asked that the audit is completed before the audit target date of September 2023, we have advised the Council that we are unable to resource this due to a shortage of experienced audit staff.

We will work with the Council to find alternative dates to complete the audit work, noting that this will be after the audited accounts target date of September 2023.

Value for Money 2021/22 and 2022/23

We had planned to submit our Annual Auditor's Report for 2021/22 within three months of issuing the financial statement audit opinion.

However, as one year will have passed since that year end, it is considered more practical and timely to merge the report with that of 2022/23 and issue that before the 2022/23 financial statement audit opinion.

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). Our work is underway and to date we have no significant issues to bring to your attention.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and Governance Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

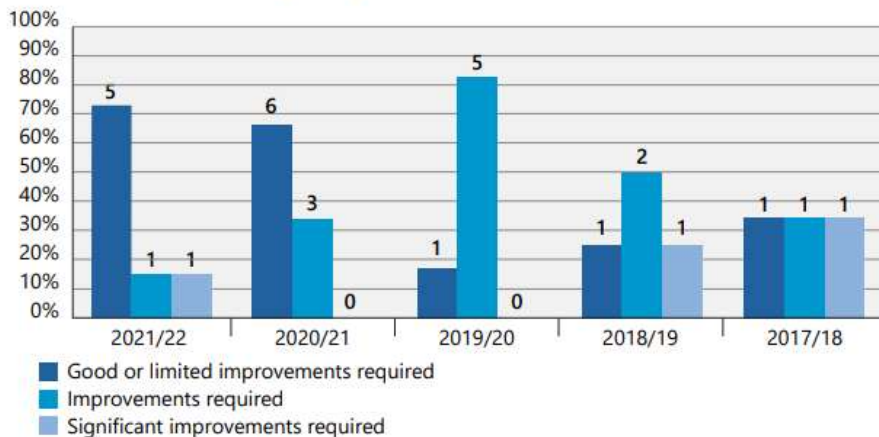
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

Our assessment of the quality of financial statement audits reviewed



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts .

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

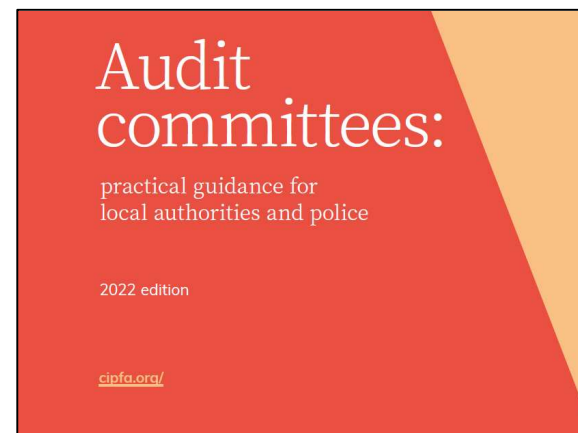
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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Agenda Item 6

Report to: **Audit and Governance Committee**
Date: **9 March 2023**
Title: **Proposed Internal Audit Plan for 2023-24**
Portfolio Area: **Cllr J Pearce – Leader of the Council**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Paul Middlemass** Role: **Audit Manager**

Contact: Paul.Middlemass@devon.gov.uk **07736 155687**
Tony.Rose@devon.gov.uk **01392 383000**

RECOMMENDATIONS:

It is RECOMMENDED that the proposed Internal Audit Plan for 2023-24 at Appendix A be approved.

1. Executive summary

- 1.1 The purpose of this report is to provide Members with the opportunity to review and comment upon the proposed internal audit plan for 2023/24.
- 1.2 The 2023/24 audit plan sets out the proposed audit resource allocated to each audit area, although the plan needs to remain flexible to be able to respond to any changing risks and priorities of the Authority given the significant changes across the public sector and the country.

2. Background

- 2.1 All principal Local Authorities, including South Hams District Council, are subject to the Accounts and Audit (England) Regulations 2015, which state:

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 2.2 The Public Sector Internal Audit Standards require that the Head of Internal Audit must "establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". When completing these plans,

the Head of Internal Audit should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

- 2.3 This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the 2023/24 year in accordance with the above requirements.
- 2.4 Whilst South Hams District Council and West Devon Borough Council operate as two unique councils, services are delivered by one integrated organisation. To reflect that shared services working arrangement, the 2023/24 audit plan is presented as one combined plan. Where there are risks or issues that relate specifically to one council and not the other, the audit plan will be varied to include those areas of work as appropriate.

3. Outcomes/outputs

- 3.1 We have created a four-year plan to ensure all core council areas are periodically audited which we have discussed with management. More significant or important areas are audited more frequently in their period. The focus of the paper in this meeting is on the plan for 2023-24. Member input to the plan is useful to ensure that the audit plan will covering the areas of most concern. That said, the plan will be reviewed and amended in year as required to reflect emerging issues.

4. Options available and consideration of risk

- 4.1 No alternative operation has been considered as the failure to develop a risk-based plan to determine the priorities of internal audit activity which is consistent with the priorities of the organisation would be contravene the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015.

5. Proposed Way Forward

- 5.1 On agreement to the plan, we will undertake our audits while agreeing audit timing to ensure our work is delivered at the most appropriate time for the council.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance

		<p>processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This plan and the work of Internal; Audit supports all of the Council's corporate strategy themes.
Climate Change – Carbon / Biodiversity Impact	Y	<p>None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to support the audit process, although it is inevitable that on-site verification may be required at times.</p> <p>The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving the need for travel.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Appendices: Appendix A – Draft Internal Audit Plan for 2023-24

Background Papers: None

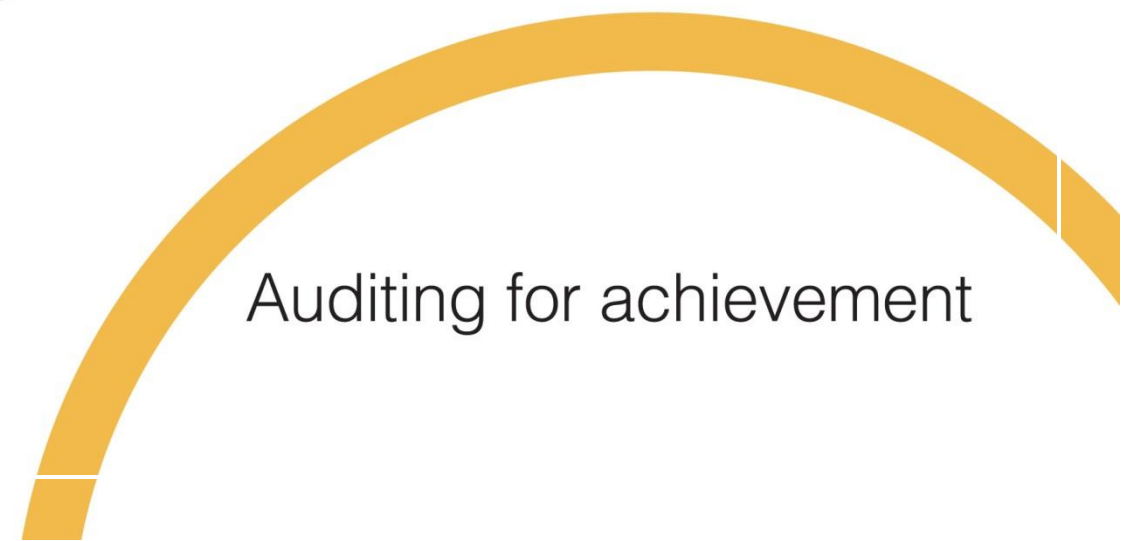
Internal Audit Plan 2023-24

South Hams Audit & Governance Committee

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9 March 2023

Tony Rose
Head of Audit Partnership



Auditing for achievement

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit and Governance Committee and senior management is the Council's Leadership Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS refer to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Audit and Governance Committee, under its Terms of Reference contained in the Council's Constitution, is required to review the Internal Audit Plan to provide assurance on the governance framework (see appendix 2).

The Chief Audit Executive is responsible for developing a risk-based plan which considers the Organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing Senior Management and members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with management and reported to Audit and Governance Committee.

Expectations of the Audit and Governance Committee for this annual plan

Members are requested to consider:

- the annual governance framework requirements.
- the basis of assessment of the audit work in the proposed plan.
- the resources allocated to meet the plan.
- proposed areas of internal audit coverage in 2023-24.

Following consideration of the above, the Audit and Governance Committee are required to approve the proposed audit plan.

Tony Rose

Head of Audit Partnership

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Fraud and IA Governance

Audit Plan

Appendices

1 – Audit Framework

2 – Annual Governance Framework

3 – Audit Needs Assessment

4 – Audit delivery Cycle

5 – Sector Risk Model

Development of the Audit Plan

This year's audit plan has been developed through discussions with Senior Management, and consideration of the Council's risk register and plan. It is also informed by previous audit findings, and our awareness of current themes in Devon and elsewhere, such as Climate Change and Homelessness.

Within the plan, we have provided good coverage of Council Corporate risks, and current public sector risks (see appendix 5). Audit coverage for the year is in the region of 436 days compared to 430 planned for 2022/23. To help identify future resource requirements and ensure good coverage of risk areas over the period we maintain an indicative four-year plan, but our focus for this meeting is to agree the audit days for 2023/24. The plan is a combined plan for South Hams and West Devon, but it indicates those audits relevant to each council only.

We have provided coverage of all Corporate Risks and include Follow Up audits for any Limited Assurance opinion audits we provided in 2022/23. We also include audits for areas recently taken back into Council control such as Waste and Recycling.

Audit Plan Summary

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Audit days per Directorate



Our audit plan is grouped into the different management areas as shown in this chart. Further detail of the audits in each management area are provided in the table

Within the management areas, we identify the following different types of audits:

Key Financial Systems audits focused on the process and systems dealing with most of the Council's income and expenditure and which have a significant impact on the reliability and accuracy of the annual accounts. These include Payroll, Creditors, Main Accounting System, Council Tax, Housing Benefit. This work will provide assurance that core controls continue to be effective despite the changing environment.

Risk based audits, particularly those relating to:

- **Strategic Risk** which has a significant impact on the council.
- **Operational Risk** which may impact on individual service areas.

We have provided indicative days for each audit to show the expected time to complete the audit. However, actual time to deliver may vary depending on the findings, but also other factors such as ease of audit access.

In accordance with the PSIAS, the plan is flexible, to reflect and respond to the changing risks and priorities of the Authority. As a result, it will be regularly reviewed and updated to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months' time to ensure it continues to reflect the key risks and priorities.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

Other Essential Activity

This includes areas such as Audit Management, support to the National Fraud Initiative and Grant work. Compared to the last two years, we have not put in provision to support Covid-19 grant work, or LAG / LEAF grant work. During 2022/23, auditor resource continued to support this work above what was included in the plan resulting in the requirement to carry over work into 2023/24. We have estimated 20 days for this work.

We also include Audit Management in this area. This is work supporting effective and efficient audit services to the Council and ensuring the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e., an audit report) but in other circumstances the output may simply be advice or guidance. It includes:

- Preparing the internal audit plan and monitoring implementation.
- Preparing and presenting monitoring reports to Leadership and the Audit and Governance Committee.
- Assistance with the Annual Governance Statement.
- Liaison with other inspection bodies such as External Audit.
- Financial Regulations Exemptions, and waivers.
- Corporate Governance - Internal Audit has become increasingly involved in corporate governance and strategic issues; this involvement is anticipated to continue.

Fraud Prevention and Detection and Internal Audit Governance

Fraud is a recognised risk area for the public sector and effective counter fraud activity assists in the protection of public funds and accountability. Our Counter Fraud Service continues to support work by the council to identify its fraud risks and consider effectiveness of its controls. To support this the authority is encouraged to agree a separate plan of counter fraud work. Our Counter Fraud service also oversees investigations, instances of suspected fraud and irregularities referred to it by managers and can also carry out testing of systems considered most at risk to fraud. Our services will liaise with the Council to focus resource on identifying and preventing fraud before it happens. This work is informed by the Fraud Strategy for Local Government "Fighting Fraud Locally", and the publication "Protecting the English Public Purse". Additional guidance recently introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and the Home Office 'UK Anti-Corruption Plan', are also relevant.

Partnership working with other auditors

We continue to work to develop effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of

information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors (Grant Thornton), One West, and Audit Southwest (Internal Audit for NHS).

SHWD Proposed Plan for 2023-24

Customer Services & Delivery

Council	Audit Area	AUDIT	Last Audited	Description	Audit Interval	Indicative Days
S.Hams & W.Devon	Key Financial Systems	Council Tax	2022/23	CORPORATE RISK: COST OF LIVING IMPACT ON SERVICES	Annual	10
S.Hams & W.Devon	Key Financial Systems	Housing Benefits	2022/23	Undertake late summer along with other Revenues reviews.	Annual	10
S.Hams & W.Devon	Key Financial Systems	Business Rates (NDR)	2022/23		Annual	10
S.Hams & W.Devon	Operational Risk	Building Maintenance & Works Commissioning	2021/22 (Limited Assurance); 2022/23 (Limited Assurance)	Further Follow Up audit of Limited Assurance report	2 yearly	10
S.Hams & W.Devon	IT Audit	ICT / Cyber Security Audit	2020/21 Health check; Access Management; 2021/22 Incident and Problem Management; Change Management; Business Continuity and Disaster Recovery: 2022/23 Cyber Security Malware and Ransomware (Reasonable Assurance)	Information asset owners & the processes for identifying/ managing systems users for: Northgate R&Bs, Civica Financials, HR & Payroll, W2, APP. Ascertain which ICT people have access to these systems, including remote access to core infrastructure. Consider back-up & resilience. Are back-up cycles same / different, are they appropriate and resilience – how easy to recover, bring systems back up.	Annual	25

S.Hams & W.Devon	Strategic Risk	Comments & Complaints	2019/20	Corporate system for recognising, recording & responding to comments & complaints.	3 yearly	10
S.Hams Only	Operational Risk	Waste - Household Waste & Recycling Collection	SH 15/16 - Improvement Required SH 17/18 F/U - Good	CORPORATE RISK: DELIVERY OF WASTE & RECYCLING Service brought back in house for SHAMS Oct 2022.	3 yearly	10
West Devon	Operational Risk	Contract Management - Waste & Recycling West Devon	SH 15/16 - Imp Required SH 17/18 F/U - Good	Contract management of this Service.	4 yearly	10
S.Hams Only	Operational Risk	Depots & Stores Control	2019/20 (Improvements Required)	Control of Vehicle, Plant, Fuel, Fuel Cards and Fuel Containers, New software to capture assets - review assets/vehicle/store controls	3 yearly	10
S.Hams & W.Devon	Operational Risk	Grounds Maintenance	2019/20 (Good Standard)	In 16/17 some issues with "ownership" for responsibilities identified - follow-up to check if issues now resolved.GM (incl Cemeteries & Churchyards) Community Parks & Open Spaces	3 yearly	15
S.Hams & W.Devon	Operational Risk	Car Parking	2019/20 (Good Standard)	Including income collection and enforcement	3 yearly	10
CS&D TOTAL DAYS						130

Strategy and Governance

Council	Audit Area	AUDIT	Last Audited	Description	Audit Interval	Indicative Days
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S.Hams & W.Devon	Strategic Risk	Corporate Governance	2016/17	Assess compliance with CIPFA Corporate Governance code	3 yearly	15
S.Hams & W.Devon	Strategic Risk	Culture & Ethics	16/17 (Good Assurance)	16/17 review looked to see if the "building blocks" were in place, future reviews likely to need a different slant. Perhaps concentrate on Staff Surveys, development of the organisation, risk appetite, compliance with rules (Constitution).	3 yearly	10
S.Hams & W.Devon	Strategic Risk	Counter Fraud arrangements	2022/23 - Annual Assurance	Annual report on Fraud arrangements	Annual	3
S.Hams & W.Devon	Procurement	Procurement	2022/23 (Limited Assurance)	Follow up of Limited Assurance report. Can include any aspect of procurement including the Sustainability of Significant Suppliers (financial resilience)	3 yearly	10
S.Hams & W.Devon	Operational Risk	Elections / Electoral Registration	Not Known	Arrangements to manage elections	3 yearly	5
S.Hams & W.Devon	Operational Risk	Members - allowances	2018/19	Administration of Members expenses.	3 yearly	6
S.Hams & W.Devon	Strategic Risk	Performance Management inc KIP's & Data Quality	2021/22 (Limited Assurance)	Follow up of Limited Assurance audit. Inc key performance indicators and the quality of source data (data quality). PI's - meaningful, add value, reported accurately, guidance notes.	3 yearly	5
S.Hams & W.Devon	Strategic Risk	Safeguarding	2020/21 (Reasonable Assurance)		2 yearly	10

S.Hams & W.Devon	IT Audit	Social Networking, Communications & Media	2019/20 (Good Standard)	High reputational risk, and important communication tool. Controls on posting on social media.	3 yearly	7
S.Hams & W.Devon	Operational Risk	Travel and Subsistence	2017/18 (Improvements Required)	Compliance with internal policies & HMRC requirements to retain receipts for VAT purposes.	2 yearly	10
S.Hams & W.Devon	Strategic Risk	Recruitment	Not Known	CORPORATE RISK: INADEQUATE STAFFING RESOURCES Includes right to work, DBS checks, checking of professional qualifications.	2 yearly	10
S.Hams & W.Devon	Operational Risk	Health and Safety	2020/21 (Reasonable Assurance)	Safety of staff and public impacted by council work	2 yearly	10
S.Hams & W.Devon	Operational Risk	Planning - Development Management	16/17 (Improvements Required)	Review of the planning process (meeting timescales) and new system (planned for end 23/24 or later).	4 yearly	10
S.Hams & W.Devon	Operational Risk	Insurance Service	2020/21 (Limited Assurance)		4 yearly	7
S&G TOTAL DAYS						118

Finance

Council	Audit Area	AUDIT	Last Audited	Description	Audit Interval	Indicative Days
S.Hams & W.Devon	Key Financial Systems	Creditors	2022/23		Annual	15

S.Hams & W.Devon	Key Financial Systems	Debtors	2022/23		Annual	15
S.Hams & W.Devon	Key Financial Systems	Main Accounting System (inc budgetary control)	2022/23	CORPORATE RISK: ADHERENCE TO MEDIUM TERM FINANCIAL STRATEGY	Annual	15
S.Hams & W.Devon	Key Financial Systems	UK Shared Prosperity Fund	2022/23	Review & sign off of grants paid out from the Shared Prosperity Fund.	Annual	5
West Devon	Key Financial Systems	Okehampton Railway Station Levelling Up Fund	Not applicable	Arrangements of DCC & WD to deliver the work commissioned via the Grant etc.	NA	5
S.Hams & W.Devon	Key Financial Systems	Treasury Management	2022/23 (Substantial Assurance)		Annual	5
FINANCE TOTAL DAYS						60

Place and Enterprise

Council	Audit Area	AUDIT	Last Audited	Description	Audit Interval	Indicative Days
S.Hams & W.Devon	Operational Risk	Environmental Services (Health & Safety)	Not Known	Fly tipping, abandoned vehicles, Air quality	2 yearly	8
S.Hams & W.Devon	Operational Risk	Food Safety	2018/19 (Good Standard)		3 yearly	10

S.Hams & W.Devon	Operational Risk	Commercial Properties and Rent	2019/20 (Limited Assurance); 2021/22 (Limited Assurance)	Follow up to Limited Assurance 2021/22 audit	2 yearly	10
S.Hams & W.Devon	Operational Risk	Housing	2020/21 (Limited Assurance) related to Housing Programme	CORPORATE RISK: COST OF LIVING IMPACT ON SERVICES Includes: Housing Strategy & RSL's & Housing Standards	3 yearly	10
S.Hams & W.Devon	Operational Risk	Homelessness	2018/19 (Good Standard)	CORPORATE RISK: HOMES FOR UKRAINE PLACEMENT BREAKDOWNS Includes Homes for Ukraine	3 yearly	10
PLACE & ENTERPRISE TOTAL DAYS						48

Other Essential Activities

Task	Days
Completion of Previous Year Plan	20
Audit Management	30
Annual Internal Audit Report	2
Exemptions from Financial Regulations	3
Grants - LEAF and LAG	0

National Fraud Initiative	5
Contingency, Advice & Emerging Risks	20
TOTAL DAYS	80

Overall Total Days **436**

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

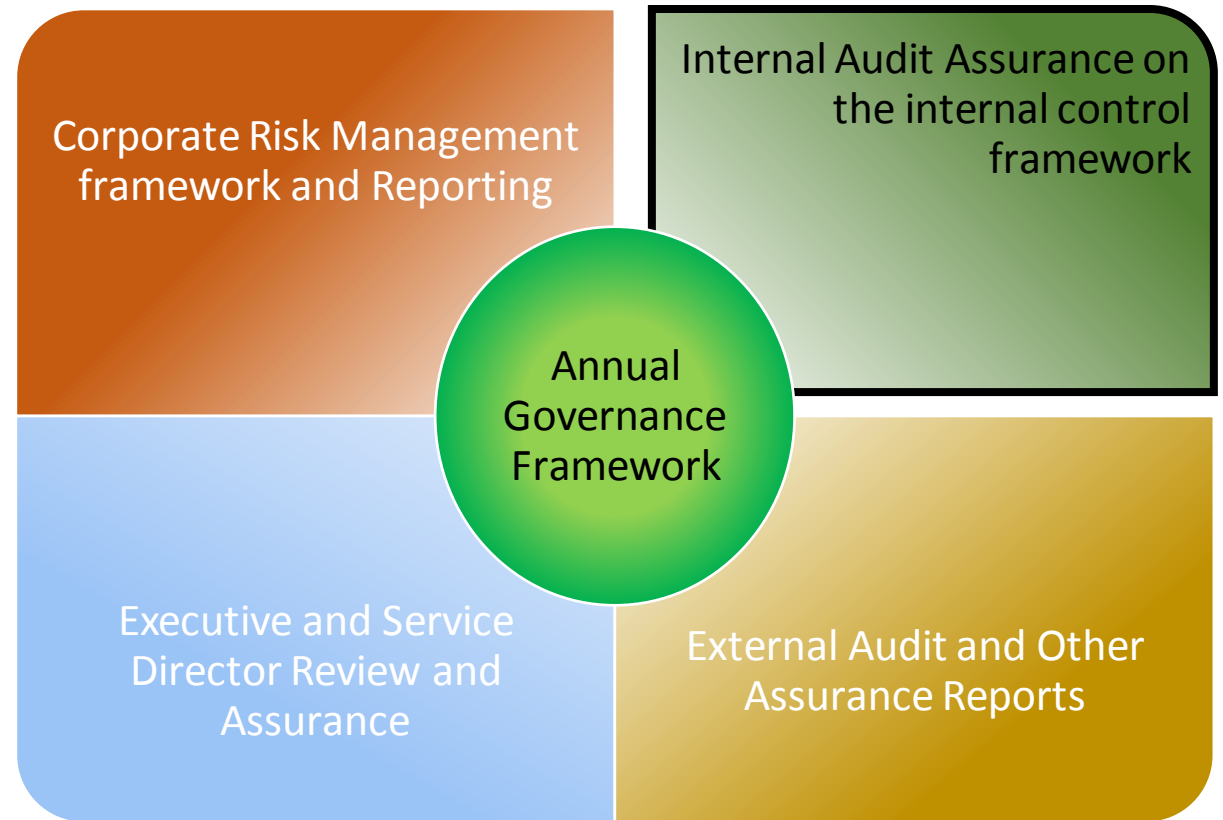
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive and the Mayor.
- highlight significant events or developments in the year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance that systems and processes can provide.
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon.
 - The Authority.
 - Governance Committee.
 - Risk Management.
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



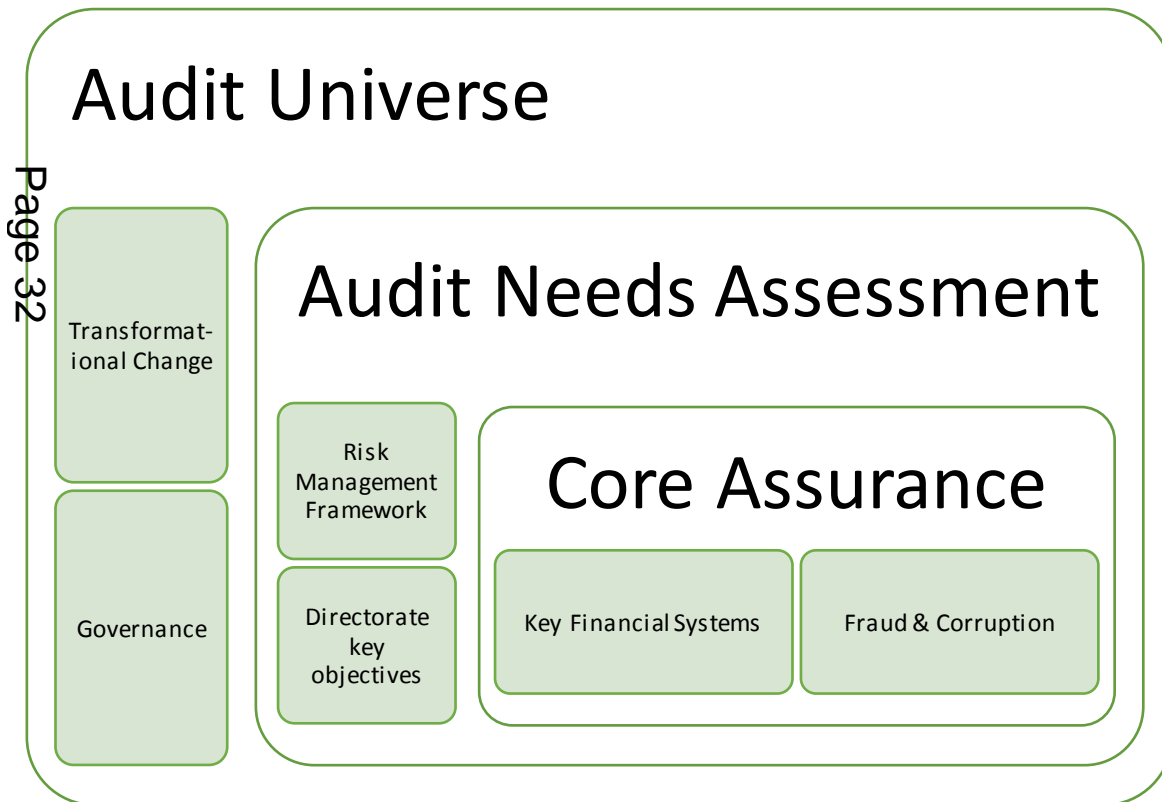
The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

Our process to create the audit plan includes discussions with management, review of risk registers, consideration of previous work. We also consider the Audit Universe we maintain for the council. Ultimately, our requirement is to undertake a broad-based audit plan of work that supports provision of an end of year assurance report to support the council's own governance statement.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority's strategic and operational risk registers

Review and update of the audit universe

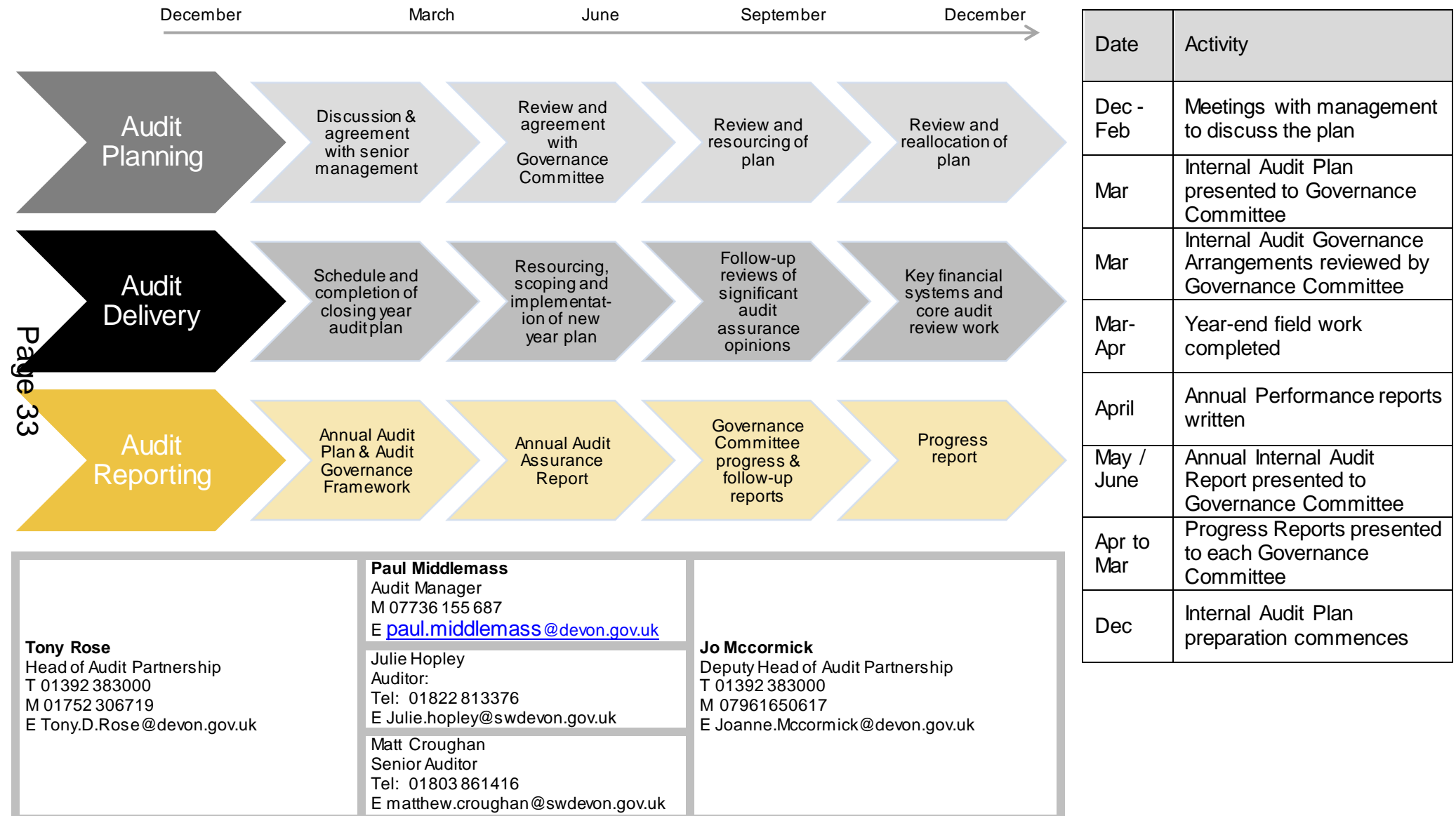
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans

Requirements to provide a "collaborative audit" approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



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<p>Tony Rose Head of Audit Partnership T 01392 383000 M 01752 306719 E Tony.D.Rose@devon.gov.uk</p>	<p>Paul Middlemass Audit Manager M 07736 155 687 E paul.middlemass@devon.gov.uk</p>	<p>Jo McCormick Deputy Head of Audit Partnership T 01392 383000 M 07961650617 E Joanne.Mccormick@devon.gov.uk</p>
	<p>Julie Hopley Auditor: Tel: 01822 813376 E Julie.hopley@swdevon.gov.uk</p>	
	<p>Matt Croughan Senior Auditor Tel: 01803 861416 E matthew.croughan@swdevon.gov.uk</p>	

Appendix 5 Sector Risk Model

(Source Institute of Internal Auditors – Risk in Focus 2023)

Key Risk areas:

Cyber security remains the number one concern for almost everyone.

Human Capital – staffing has become more important given manpower shortages.

Macroeconomic and geographical uncertainty has also increased in importance, not surprising given the international situation of conflict in Ukraine and tension with China.

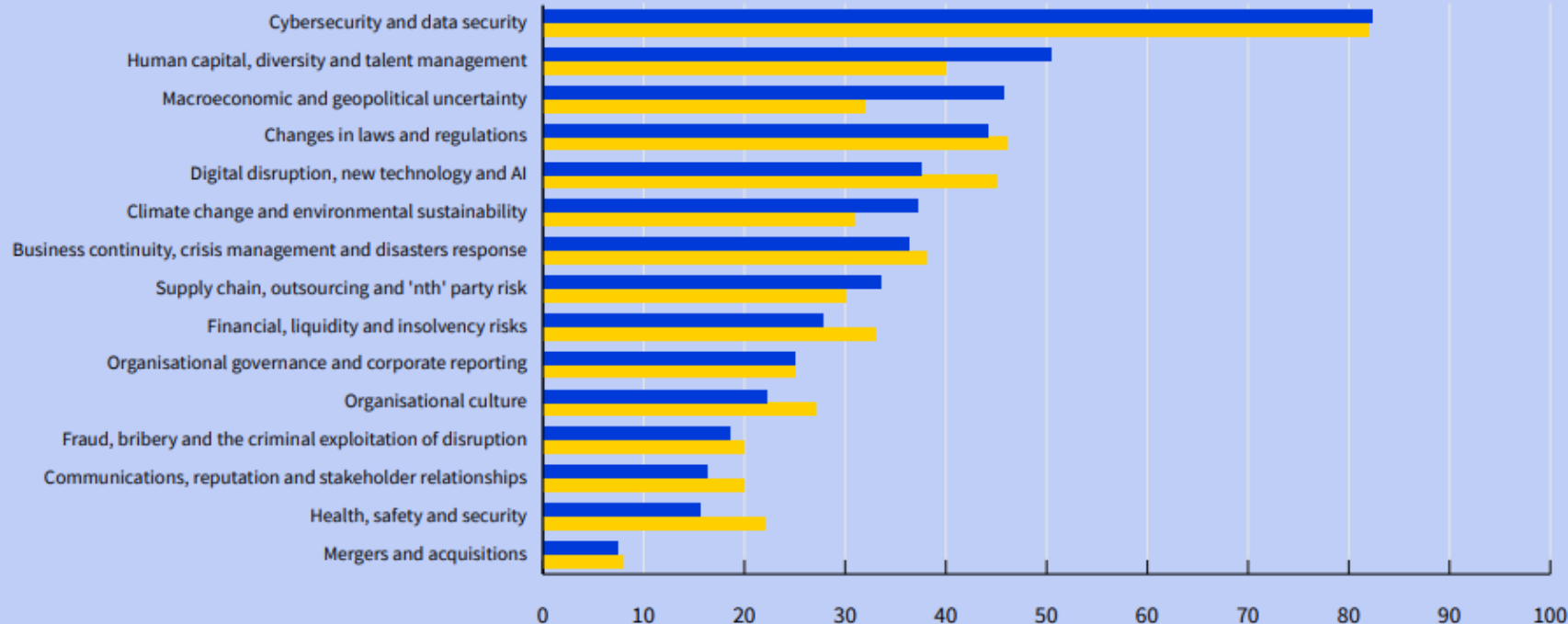
Changes in laws and regulations are also important although a slight reduction since last year.

Climate change is increasingly back on the agenda.

What are the top five risks your organisation currently faces?

■ 2023
■ 2022

Human capital risk moves into second place this year followed by macroeconomic and geopolitical uncertainty.



Agenda Item 7

Report to: **South Hams Audit and Governance Committee**

Date: **9 March 2023**

Title: **Update on Progress on the 2022-23 Internal Audit Plan**

Portfolio Area: **Cllr J Pearce – Leader of the Council**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Paul Middlemass** Role: **Audit Manager**

Contact: Paul.Middlemass@devon.gov.uk **07736 155687**
Tony.Rose@devon.gov.uk **01392 383000**

Recommendations:

It is recommended that:

The progress made against the 2022/23 internal audit plan, and any key issues arising are noted and approved.

1. Executive summary

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team.

2. Background

The Audit and Governance Committee, under its Terms of Reference contained in South Hams District Council's Constitution, is required to monitor, and review the internal audit programme and findings, and the associated progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The purpose and role of Internal Audit, and of the related Council responsibilities is also contained in the Internal Audit Charter and Strategy.

3. Outcomes/outputs

Members will note the assurances provided on the audited areas and seek management assurance that identified weaknesses are being addressed.

4. Options available and consideration of risk

No alternative operation has been considered as the function of internal audit is a requirement of Corporate Governance.

5. Proposed Way Forward

That Audit and Governance Committee notes the results of Internal Audit work (Appendix A) undertaken during the period.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	<p>There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.</p>
Risk	Y	<p>The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.</p>
Supporting Corporate Strategy	Y	<p>This Progress Report and the work of Internal; Audit supports all of the Council's corporate strategy themes.</p>
Climate Change – Carbon / Biodiversity Impact	Y	<p>None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is</p>

		used to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Appendices:

Appendix A – Internal Audit Progress Report

Background Papers:

Internal Audit Plan 2022/23 as approved by Audit and Governance Committee.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

Internal Audit

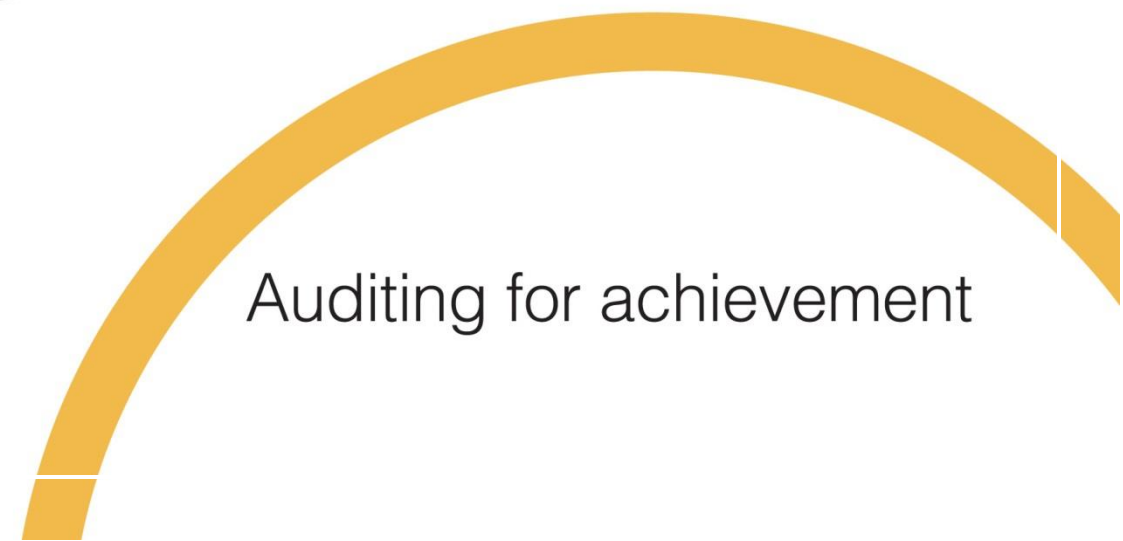
Progress Report 2022-23

South Hams Audit & Governance Committee

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9 March 2023

Tony Rose
Head of Audit Partnership



Auditing for achievement

Introduction

The Audit and Governance Committee, under its Terms of Reference contained in South Hams District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities carry out an annual review of the effectiveness of their internal audit system and incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2022-23 was presented and approved by the Audit and Governance Committee in March 2022. The following report and appendices set out the background to audit service provision and provides a position statement on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report contributes to that annual opinion.

Expectations of the Audit and Governance Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the revised audit plan provided.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit and Governance Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Tony Rose
Head of Devon Audit Partnership

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Introduction

Opinion Statement

Executive Summary of Audit Results

Value Added

Audit Coverage & Progress Against Plan

Appendices

1 – Summary of Audit Results

2 – Progression of audit plans

Opinion Statement

Overall, based on work performed during 2022/23 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. An opinion on the adequacy of controls is provided to management as part of each audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up process.

Directors and Senior Management are provided with details of Internal Audit's opinion for each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Executive Summary of Audit Results

Key Financial Systems

We provide a Substantial Assurance on Payroll as the new i-Trent system has been introduced successfully and controls are effective to ensure accurate and prompt payment of pay and allowances.

Risk Based Audits

We provide a Substantial Assurance for Corporate Strategy and Performance Management given the effective arrangements from the corporate level down to Service areas. On Risk Management and Health and Wellbeing, a good framework for both were in place but there is an opportunity to refresh and develop guidance, policies, and practices resulting in Reasonable Assurance opinions.

We provided a Limited Assurance for two audits:

On Building Maintenance – Works Scheduling Follow Up, our Limited Assurance follows previous audit reports highlighting weaknesses. We are now confident management has plans to address these.

On Procurement, the limited procurement expertise available is a concern and likely the root cause of some issues identified such as not holding a comprehensive Contract Register.

Appendix 1 of this report provides more detail on the audits delivered since the last Committee meeting with the overall assurance opinion and recommendations. Where a "substantial assurance" or "reasonable assurance" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "limited assurance" has been provided then issues were identified during the audit process that required attention. We have provided a summary of key issues reported that are being addressed by management. We are content that management are appropriately addressing these issues.

Counter Fraud Work

Recent assessments state that there is an epidemic of fraud cases. Fraud now account for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years ([see Fraud and the Justice System](#)). The government has responded with formation of the Public Sector Fraud Authority. Given this landscape, it is important for councils to have effective measures to reduce the risk and impact of fraud.

We are undertaking a review of Counter Fraud arrangements in the councils and will present the results to Audit Committee.

We are not aware of any reported fraud issues in the year to date. Management is aware that they can refer any suspected issues to our specialist counter fraud team.

Recommendation Tracking

We understand that management continues to review audit recommendations made by internal audit since April 2020 to confirm that they are implemented or work taking place to implement them. In undertaking audits, we continue to find audit recommendations (some High Priority) from previous audits that have not been progressed.

Value Added

It is important that the internal audit service seeks to "add value" whenever it can. We consider internal audit activity has added value to the organisation and its stakeholders by:

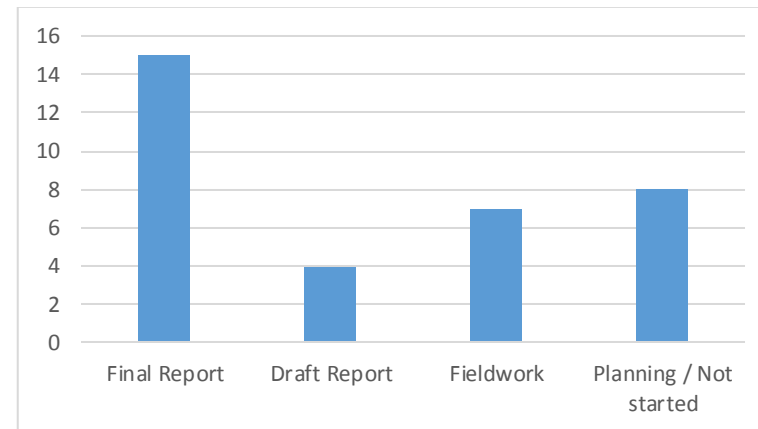
- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan when needed to provide real time assurance.
- Comparing and contrasting controls across the different Devon Councils that we support.

Audit Coverage and Performance Against Plan

Appendix 2 provides detail on delivery of the 2022-23 audit plan. We are making good progress to deliver the bulk of the plan.

Progress has been impacted by diversion of one of the two core auditors to administer the Covid Business Grants. We anticipate this work has now largely finished. In addition, the LAG / LEAF work has continued into 2023 but is also completing. We estimate this results in a shortfall of about 60 days from this financial year. We have used additional DAP resource to support audit plan delivery, including to complete a comprehensive Cyber Security audit provided by One West (a DAP strategic partner), and a risk management audit by the DAP team.

Chart: Delivery of the 2022-23 audit plan



Customer Satisfaction

We have had no recent satisfaction returns. We will be placing emphasis on obtaining feedback for current audits.

Appendix 1 – Summary of audit reports and findings

Audit / Assurance Opinion	Summary, risk exposure and management actions
<p>Payroll</p> <p>Substantial Assurance</p>	<p>The HR and Payroll teams successfully implemented the i-Trent payroll system in a short time and continue to familiarise themselves with its use to administer the monthly pay runs and associated human resources tasks. Comprehensive testing has been undertaken to confirm the system is correctly calculating all aspects of pay due to individuals. The administration of the Councils' payrolls continues to be well controlled, as in previous years.</p> <p>Significant efficiencies are already being experienced from the new system such as reducing the requirement for manual calculations. Staff have not yet fully explored system capabilities and identified further opportunities for efficiency savings due to work pressures in 2022/23. This extends to better understanding the various user access profiles and privileges. All necessary system reports can be run, and officers have the capability to create other reports as required.</p> <p>Incorrect payments to employees rarely occur due to Payroll error. The small number of overpayments and underpayments commonly arise due to managers not informing the Payroll team promptly of changes to employees' circumstances, particularly in relation to sickness, or staff departure.</p> <p>The Finance team closely monitor salary costs on a regular basis and provide reports to Senior Leadership Team and Heads of Service for discussion. Pay costs for SHDC have increased by approximately 20% in 2022/23 because of taking the Waste service back in house in October 2022, and the 2022/23 pay agreement. The figures do not include payments to agency staff, which are not recorded on the payroll system as they are paid through the creditor system.</p> <p>There were no High recommendations.</p>
<p>Corporate Strategy and Performance Management</p> <p>Substantial Assurance</p>	<p>The Councils have recently reviewed and updated their Corporate Strategies to ensure they are current and aligned to priorities. The Strategies are intended to be living documents. These and the Thematic Delivery Plans are regularly reviewed to ensure they remain focussed on the key needs and ambitions of the community. There are clear links between the Corporate Strategies and other key strategies, including the Climate Change and Biodiversity Strategies, the Housing Strategy, and the Joint Local Plan. They also inform the Councils' Medium Term Financial Strategies, allowing funding to be identified for all actions in the Delivery Plans.</p> <p>The Thematic Delivery Plans include a Performance Management Framework, setting out how progress will be monitored, providing accountability and clarity. Wherever possible SMART (Specific, Measurable, Achievable, Relevant, Time-bound) targets have been developed. A 'golden thread' runs from the Corporate Strategies,</p>

through the Thematic Delivery Plans, to Service Plans and into individual officers' personal objectives. A reporting regime ensures that senior managers and members receive regular updates on progress against the Themed Delivery Plans. The costed Thematic Delivery Plans provide a focus on those actions for delivery in the next three years. Each action is broken down into a series of deliverables over the period covered by the Plans. Regular updates are provided to members on progress against the Themed Delivery Plans:

Arrangements are in place to approve and review those key partnerships with organisations that complement Council services and/or support the ambitions of the Corporate Strategies. A Key Partnerships Framework is being developed.

The use of performance indicators and performance management for individual services varies widely across the Councils. Key services, such as Waste, Planning, Housing, Benefits, Customer Services and Revenues, have a range of performance indicators which are regularly reported to the Senior Leadership Team and members. However, this may not extend to all services, although the new requirement for all areas to have performance indicators as part of Service plans should resolve this issue.

The councils do not have appropriate software to support performance reporting. This would support real-time progress updates against the Themed Delivery Plans and reduce the manual effort to maintain a performance regime.

There were no High recommendations.

Health and Wellbeing

Reasonable Assurance

The Councils have a good framework of policies, activities, and training to support staff health and wellbeing. There are measures to support staff health and wellbeing that align with best practice. A broad range of policies, on Physical and Mental Health and Wellbeing, Bullying and Harassment, Personal Resilience, etc., promote staff welfare, and information and support is made available in different formats. Training is provided to managers and team leaders to help them support their staff, enhanced by the more recently introduced Line Manager Training which encompasses those officers not previously recognised as managers. It covers all aspects of a manager's role, better equipping individuals to support their staff.

Whilst there were appropriate strategies and policies, planned improvements have been disrupted by the Covid pandemic, and issues with the SHDC waste service. The Heads of Human Resources and Environmental Health now have good focus on necessary improvement measures informed by our audit. An Organisational Development Strategy (ODS) was published in February 2023; this will incorporate Workforce Planning, including an Employee Health and Wellbeing strand, informed by the September 2022 staff survey. This includes a refresh of the Health and Wellbeing Strategy. We note there has been no specific survey of health and wellbeing since those completed during the Covid pandemic to focus where improvements are required, although the recent Staff Survey provides useful information. Management has agreed to include the need for a survey into the Organisational Development Strategy document. Given the continuing number of council officers working at home, it is a priority to ensure DSE checks are re-performed. Officers were not able to provide target

	<p>dates for some responses to our recommendations, which are reliant on the prioritisation of the wider work plan yet to be developed to support the ODS.</p> <p>Several officers have voluntarily completed Mental Health First Aider training, equipping them with the skills to help colleagues experiencing mental health or wellbeing issues. SHDC and WDBC were amongst the first Councils to offer this assistance. Staff are also provided with access to external support and advice, although it may be beneficial to remind employees that this is available.</p> <p>Arrangements for ensuring health and safety of staff were outside the scope of this audit but there is overlap; and we made some observations in this area.</p> <p>There were no High recommendations.</p>
<p>Risk Management</p> <p>Reasonable Assurance</p>	<p>Risk management was found to be discussed at length in the appropriate forums that include members, specifically the Audit and Governance committee meetings. Risk is also discussed at Executive/Hub forum which includes members. The Corporate Risk Register was reviewed recently and represents good practice.</p> <p>We have been assured that a Risk Management group operates within the councils, although we were not shown minutes or actions. The council should record minutes and actions to ensure that management and control of actions take place and to inform future meetings of discussions. This group would also demonstrate clear reporting lines for raising new risks or changes to existing risks.</p> <p>The Risk and Opportunity Management Strategy has not been reviewed since 2018, and staff awareness of it is low. The changes the councils have experienced in the last four years make it a priority to review the policy to ensure it is fit for purpose. We have been assured that the policy will be reviewed, and this audit will help form some thinking in its creation. This will include some focus on opportunity management. Once the new policy has been signed off it should be shared with all relevant staff.</p> <p>Some service areas held risk registers but may not be held by all areas. From April 2023 risks will be included in updated Service Plans. Fraud represents a huge risk to all authorities and as such should be recognised, and we recommend the councils have a dedicated fraud risk register so that it is managed and controlled effectively. DAP will be supporting further improvement of current counter fraud controls in the next few months.</p> <p>Risk management training has not been provided to officers for some years. This training would help increase in knowledge and skills in risk management and training.</p> <p>There were no High recommendations.</p>
<p>Building Maintenance Works</p>	<p>There is no formal strategy to guide the maintenance of the Councils' built assets. The management regimes for the Assets team and the Building Maintenance team appear to have caused a dichotomy between those responsible for budgets, for prioritising work and for managing the day-to-day delivery of the works. As a result, the priorities of the Building Maintenance team do not necessarily align with those of the Assets team. The</p>

Scheduling - Follow Up

Limited Assurance

delivery of planned building maintenance may be hindered by limited staff resource or lack of appropriate in-house skills.

Currently different teams are responsible for determining the planned building maintenance required, the prioritisation of reactive repairs and planned work and the management of staff undertaking the planned and reactive works:

- The Assets team, under the Head of Assets, determine the strategic management of the Councils' building stock in response to corporate requirements, as well as seeking to ensure properties remain in good repair through the delivery of a planned maintenance programme.
- Day-to-day maintenance work is undertaken by the Building Maintenance team, guided by a Supervisor, who generally determines a response to reactive repairs, sometimes in consultation with the Assets team, and which resource is used to deliver this. Works are delivered using a combination of the Building Maintenance team and contractors, the latter being used when specialist skills are not available in-house or when there is insufficient staff capacity.
- The Customer Service and Delivery Team Leader is responsible for managing the staff resource and skill sets of the Building Maintenance team, largely in response to existing demands but not necessarily with full knowledge of long-term strategic building maintenance plans.

Repairs to buildings are undertaken and any health and safety issues prioritised. However, we understand most repairs are reactive, as existing arrangements and staffing capacity do not allow the effective delivery of a planned building maintenance schedule. Also, with no formal strategy to guide a schedule, there may be under-investment in maintaining those properties which contribute to the Councils' strategic priorities and vice versa. These may ultimately result in higher maintenance costs than if a proactive approach had been followed.

Historically, many routine building maintenance tasks have been prompted by the personal knowledge of individual officers, rather than being recorded in a central schedule, although we understand that work is well under way to address this. Whilst good use is made of the asset management and administration system, Concerto, for maintenance works such as those related to the headquarters buildings, this does not extend across the entire service.

Since we completed our fieldwork, a review of the Assets service has increased officer capacity to better allow the strategic management of buildings and facilities. However, the delivery arrangements and prioritisation of work by the Building Maintenance team remain unchanged and may benefit from review to ensure effective use of budgets and staff resources.

This is the second Limited Assurance opinion in consecutive years. Following this audit we have confidence that management has plans to address the issues identified.

The High Priority Recommendations relate to:

	<p>Create a formal Building Maintenance Strategy and delivery plan to guide and priorities building maintenance work – target date June 2023.</p> <p>Review the resourcing and roles and responsibilities of the Building Maintenance Team – target date July 2023.</p> <p>Prioritise the work of the Building Maintenance Team, to ensure good liaison between those responsible for the building maintenance strategy, and those delivering and prioritising the maintenance work – target date July 2023.</p> <p>Consider the balance between Planned and Reactive maintenance work and review the staff resource allocated – target date March 2024.</p>
<p>Procurement</p> <p>Limited Assurance</p>	<p>Procurement in the councils is supported by a shared procurement officer, and a procurement system to support the end-to-end procurement process. Officers were generally aware of the need to obtain value for money. There are opportunities to improve the procurement framework including increasing the available procurement expertise.</p> <p>The Councils share an expert Procurement Officer with Teignbridge District Council to help develop strategy and processes, disseminate best practice, keep colleagues abreast of revised legislation, etc. Contract Procedure Rules are in place which detail the requirements for procurement activity, supported by advice and assistance from the shared Procurement Officer.</p> <p>The Councils adopted the Devon Districts Procurement Strategy and action plan produced by the Devon Districts Procurement Group for members, including SHDC and WDBC. There has been no specific work in SHDC and WDDC to implement the actions; this is also the case for other councils. The forthcoming Procurement Act will generate changes to procurement rules that will need to be implemented in late 2023.</p> <p>The Procurement officer provides good assistance to procurements, but additional resource is needed to develop the Procurement framework and to ensure it is effective in meeting objectives. This has contributed to:</p> <ul style="list-style-type: none">• The Councils do not have a comprehensive Contracts Register and there is no central record of quotes and tenders for purchases. This reduces focus on improving the effectiveness of the procurement service and the added value it provides.• An e-tendering system, ProContract, supports the management and administration of the end-to-end process of procuring goods and services. Currently, most officers undertaking a procurement rely on the Procurement Officer to populate and update ProContract on their behalf. Given the limited Procurement Officer's time this means not all procurement information is held on the system.• Officers regularly undertake procurement without reference to the Procurement Officer, and so may not follow best practice or use the most efficient method or achieve best value for money. We noted instances of purchasing which were not compliant with the Public Contract Regulations 2015 or the Councils own Contract Procedure Rules, for instance the Energy Supplies Procurement.

There appeared to be a good awareness amongst those we spoke to that value for money should be sought when procuring goods or services, although there was not always an audit trail to demonstrate how or if this had been achieved. Knowledge, awareness, and compliance levels varies widely amongst officers responsible for undertaking procurement for the Councils. Whilst there was no evidence that value for money is not being achieved, the opportunities to further strengthen procedures have contributed to our Limited Assurance.

The Contract Procedure Rules were significantly revised in early 2022/23 as part of a wider review of the Councils' Constitutions. These thresholds are significantly higher than the other Devon councils, for instance, the SHDC and WDBC lower threshold of £25k for obtaining three quotes. The new thresholds and exemption requirements are intended to allow officers to progress procurements quicker. While they have been brought to the attention of the Heads of Service, wider staff were not made aware of the new Rules and may not therefore apply them.

The High Priority Recommendations relate to:

Following an appropriate procurement route when current energy contracts expire – target date Sept 2024.

Maintaining a central Contract Register – target date Feb 2023.

Appendix 2 – Progress on the 2022/23 audit plan

Audit	Business Area	Assurance Opinion	Comments
Final Report issued / Work Completed			
Dartmouth Lower Ferry (21/22 audit)	Place & Enterprise	Reasonable Assurance	Summary provided in previous meeting
Payroll (21/22 audit)	KFS	Reasonable Assurance	Summary provided in previous meeting
Development Management - Section 106 Arrangements	Customer Service & Delivery	Reasonable Assurance	Summary provided in previous meeting
Dartmouth Lower Ferry	Place & Enterprise	Not applicable	Advice / consultancy to improve financial system
Climate Change	Governance & Assurance	Reasonable Assurance	Summary provided in previous meeting
Covid19 - Business Grants Post-Scheme Assurance 2022/23	Place & Enterprise	Substantial Assurance	Summary provided in previous meeting
Treasury Management	KFS	Substantial Assurance	Summary provided in previous meeting
Contract Management - Leisure	Governance & Assurance	Substantial Assurance	Summary provided in previous meeting
Building Maintenance - Works Scheduling Follow Up	Customer Service & Delivery	Limited Assurance	Summary provided in this report
Corporate Strategy and Performance Management	Governance & Assurance	Substantial Assurance	Summary provided in this report
Grants Leaf & LAG	Other items	Not applicable	Checking of claims submitted, no report produced.
Procurement	Governance & Assurance	Limited Assurance	Summary provided in this report

Health and Wellbeing	Customer Service & Delivery	Reasonable Assurance	Summary provided in this report
Payroll	KFS	Substantial Assurance	Summary provided in this report
Risk Management	Governance & Assurance	Reasonable Assurance	Summary provided in this report

Audit	Business Area	Comments
Draft Report		
Capital Expenditure	Place & Enterprise	Draft Report issued 27 January 2023
Green Homes Grant	Place & Enterprise	Included as part of Capital Expenditure Report
ICT Cyber Security	Customer Service & Delivery	Draft Report issued 18 January 2023
Creditors (Payments)	KFS	Draft Report issued 31 January 2023
Fieldwork		
Corporate Information Management	Governance & Assurance	Draft report being written
Main Accounting System	KFS	Ongoing
Debtors (Income Collection)	KFS	Ongoing
VAT Arrangements	Governance & Assurance	Ongoing
Contingency, Advice & Emerging Risks	Other items	Ongoing
National Fraud Initiative	Other items	Ongoing
Exemptions from Financial Regulations	Other items	Ongoing

Audit	Business Area	Comments
Planning / Not Yet Started		
Business Rates	KFS	Indicative start Q4
Council Tax	KFS	Indicative start Q4
Housing Benefits	KFS	Indicative start Q4
Regeneration and Investment Strategy	Place & Enterprise	Indicative start Q4
Locality Officers	Customer Service & Delivery	Indicative start Q4
Partnership Funding Arrangements	Customer Service & Delivery	Indicative start Q4
Project Management	Governance & Assurance	Indicative start Q4
Future IT Project	Governance & Assurance	Defer to 2023/24 to review the Future IT system project
Business Continuity / ICT Business Continuity	Governance & Assurance	Indicative start Q4

Report to: **Audit and Governance Committee**

Date: **9 March 2023**

Title: **2023/24 Capital Strategy, 2023/24 Treasury Management Strategy and 2023/24 Investment Strategy**

Portfolio Area: **Finance and Assets – Cllr H Bastone**

Wards Affected: **All**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance (S151 Officer)**

Clare Scotton **Principal Accountant**

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Recommendations:

1. That the Audit Committee scrutinises and recommends to Council the approval of the 2023/24:
 - i) Capital Strategy (as attached at Appendix A)
 - ii) Treasury Management Strategy (as attached at Appendix B)
 - iii) Investment Strategy (as attached at Appendix C)
 - iv) That delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council and the Executive Member for Finance, to make any minor amendments to these Strategies if required throughout the 2023/24 Financial Year.

1. Executive summary

- 1.1 This report recommends to Council approval of the proposed Capital Strategy, Investment Strategy and Treasury Management for 2023/24, together with their associated prudential indicators. It is a legal requirement to publish these strategies by 31 March 2023.

- 1.2 Revised reporting is required since the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans and greater reporting requirements surrounding any commercial activity undertaken.
- 1.3 The current guidance for a Council's level of borrowing is the Prudential Code (2021) and "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

Capital Strategy - As from 2019/20, all local authorities are required to prepare an additional Capital Strategy report. The Capital Strategy for 2022/23 is attached in Appendix A.

In 4.3, the Capital Financing Requirement, the measure of the Council's potential underlying need to borrow for the capital programme, has been projected to be £26.3 million for 2023/24. This includes borrowing for leisure, an investment property in Dartmouth, waste, Housing, Batson Creek (Salcombe) commercial units and Batson Creek (Salcombe) Harbour Depot, Dartmouth Health and Wellbeing Hub, and Plymouth and South Devon Freeport (see 2.4 of the Capital Strategy).

Investment Strategy - The guidance includes a new requirement for Councils to prepare an Investment Strategy since 2019/20. Councils are required to prepare indicators that enable Members and the public to assess the Council's investments and the decisions taken. The new indicator measures net commercial income as a percentage of net service expenditure and total investment exposure.

Treasury Management Strategy - Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

- 1.4 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout all three of the Strategies presented for approval.

2. Outcomes/outputs

- 2.1 In light of the recent raise in interest rates, the budget for investment income has increased for 2023/24 and has been set at £800,000.
- 2.2 External treasury management training (by Link Group) was arranged for all Members in March 2021 to ensure Members have up to date skills to continue to make capital and treasury management decisions. This training will take place every two years and it is planned that the next session will be carried out in the Summer of 2023 as part of the Member Induction programme.

3. Options available and consideration of risk

- 3.1 It is a statutory requirement for the Council to annually approve its Capital Strategy, Treasury Management Strategy and Investment Strategy.

4. Proposed Way Forward

- 4.1 That Audit Committee scrutinises and recommends to Council the approval of the Capital Strategy (Appendix A), Treasury Management Strategy (Appendix B) and Investment Strategy (Appendix C) for 2023/24.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The elements set out in paragraph 2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.</p> <p>It is within the Terms of Reference of the Audit Committee to receive regular reports on the treasury management function.</p> <p>It is within the Terms of Reference of the Executive to receive regular monitoring reports on the Council's Capital Programme and Capital Plans.</p>
Financial implications to include reference to value for money	Y	<p>Good financial management and administration underpins the entire treasury management strategy. The budget for investment income for 2023/24 has been set at £800,000.</p>
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council produces an Annual Capital Strategy, Investment Strategy and Treasury Management Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive as part of budget monitoring reports.</p>
Supporting Corporate Strategy		<p>The treasury management function supports all of the thematic delivery plans within the 'Better Lives for All' strategy.</p>

Climate Change - Carbon / Biodiversity Impact		<p>The Council declared a Climate Change and Biodiversity Emergency on 25 July 2019 and a Climate Change Action Plan was presented to Council in December 2019.</p> <p>The Council has approved a budget of £600,000 in the Climate Change Earmarked Reserve.</p> <p>Further detail is set out in the Council's 'Better Lives for All' strategy.</p>
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Capital Strategy 2023/24

Appendix B – Treasury Management 2023/24

Appendix C – Investment Strategy 2023/24

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	N/A

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APPENDIX A

Capital Strategy 2023/24

1 Introduction

1.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- A high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how associated risk is managed
- The implications for future sustainability

2 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, e.g. property/ vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, e.g. assets costing below £10,000 are not capitalised and are charged to revenue in the year.

2.2 As at the end of January 2023, the Council has incurred capital expenditure of £7.65 million and will incur further capital expenditure by the end of March 2023. The Council's capital expenditure is summarised below:

Capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Services	3,991,000	10,669,000	12,312,000	2,363,000	1,500,000
Total	3,991,000	10,669,000	12,312,000	2,363,000	1,500,000

Housing projects

- 2.3 Full Council approved the recommendations made on 25th November 2021 relating to the St Ann's Chapel Housing Project. £4.2million was approved to deliver 8 affordable homes, 3 open market units and 2 serviced plots. Completion is expected Summer 2023.

Plymouth and South Devon Freeport

- 2.4 At the Council meeting on 31 March 2022, Members considered a report on the Plymouth and South Devon Freeport (minute CM73/21). It was resolved that PWLB borrowing of up to £5 million was approved (funded from the retained business rates income generated by the Freeport), to match fund the Freeport Government seed funding relating to the delivery of the Langage site.

Regeneration and Investment Strategy

- 2.5 The Council has approved a Regeneration and Investment Strategy (Minute Reference CM 75/21, Council 31/3/2022). To date, Investment Properties have a value of £18.61 million in aggregate as at 31 March 2022.

Overall Borrowing Limit

- 2.6 In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £75 million. As at the end of January 2023, the Council's current level of external borrowing is £14.3m.
- 2.7 Local Authorities are required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. This is updated on at least an annual basis. PWLB borrowing is permitted in the future for the four categories of regeneration, service delivery, housing and refinancing.

Governance

- 2.8 The Head of Finance Practice invites bids for capital funding from all service managers annually on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids are ranked against a prescribed priority criteria which is set out in the bid process. Submitted capital bids are assessed against the categories in each priority. Priority 1 categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, Disability Discrimination Act etc.) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives. The final capital programme is then presented to Executive and to Council in February each year.

2.9 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above capital expenditure is as follows:

Financing of capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	3,991,000	10,669,000	12,312,000	2,363,000	1,500,000
Financed by:					
External sources (Capital grants, NHB, S106)	1,156,000	2,656,000	1,604,000	1,200,000	0
Own resources (Capital receipts, Earmarked reserves)	1,815,000	1,494,000	3,478,000	1,163,000	1,500,000
Net financing need for the year (This is the prudential borrowing required)	1,020,000	6,519,000	7,230,000	0	0

2.10 Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Replacement of debt finance	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
MRP	344,000	488,000	545,000	745,000	751,000
Use of capital receipts	0	0	0	*1,400,000	0

**Capital receipts generated from the sale of houses (St Ann's Chapel housing scheme)*

Treasury Management

- 2.11** Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.
- 2.12** The Council is typically more cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 2.13** As at 31 January 2023, the Council had external borrowing of £14.309 million.
- 2.14** As at 30 September 2022, the Council held £54.116m of Investments.

3 Borrowing Strategy

- 3.1** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future.
- 3.2** These objectives are often conflicting, and the Council therefore will seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 3.3** Projected levels of the Council's total outstanding debt which comprises borrowing is shown below, compared with the capital financing requirement.

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
Debt at 31 March	14,381,000	14,284,000	18,465,000	17,804,000	17,140,000
Capital Financing Requirement	13,536,000	19,568,000	26,253,000	24,109,000	23,358,000

- 3.4** The Capital Financing Requirement is the measure of the Council's underlying need to borrow for the capital programme. This has been projected to be £26.3 million for 2023/24. This includes borrowing for leisure, an investment property in Dartmouth, waste, housing, Batson Creek (Salcombe) commercial units, Batson Creek (Salcombe) Harbour Depot, Dartmouth Health and Wellbeing Hub and the Plymouth and South Devon Freeport (see 2.4).

4 Investment Strategy

- 4.1** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 4.2** The Council's policy on treasury investments is to prioritise security and liquidity over yield, i.e. to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.
- 4.3** Money that will be held for longer terms is invested more widely including in collective investment schemes (pooled funds whose underlying assets are company shares, bonds, property etc.). Examples of which are the CCLA Local Authorities' Property Fund and the CCLA Diversified Income Fund in which the Council is invested to balance the risk of loss against the risk of receiving returns below inflation.
- 4.4** Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.
- 4.5** Further details on treasury investments can be found in the treasury management strategy (Appendix B).

Governance

- 4.6** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director for Strategic Finance (S151 Officer) and finance staff (where appropriate), who must act in line with the treasury management strategy approved by Council.
- 4.7** Semi-annual reports on treasury management activity are presented to the Audit and Governance Committee which is responsible for scrutinising treasury management decisions.

5 Investments for Service Purposes

- 5.1** Decisions on service investments are made by the relevant service manager in consultation with the Corporate Director for Strategic Finance (Section 151 Officer) and must meet pre-approved criteria and limits. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

6 Risk Management and Due Diligence

- 6.1** The Council accepts there is a higher risk on property investments than with treasury investments. Financial risk will be weighed up against social and economic benefits of the investment. The principal risk exposures include variances resulting in a disruption or fall in income streams, fall in capital value which is either site-specific or due to general market conditions, deterioration in the credit quality of the tenant.
- 6.2** The Council assesses the risk of loss before entering into and whilst holding property investments/property opportunities by carrying out appropriate due diligence checks and implementing mitigation measures in managing risk:
- The tenants need to be of good financial standing (this is assessed using Dun & Bradstreet credit rating reports and annual accounts). The number of tenants e.g. sole tenant or multi tenanted will be assessed.
 - The property condition such as date of construction and any imminent or significant refurbishment or modernisation requirements (forecast capital expenditure).
 - How the property investment, financial or non-specified investment meets the Council's multiple objectives as set out in the Council's strategy.
 - The lease must meet certain standards, such as being in a commercial popular location and have a number of years left on the lease providing a certain and contractually secure rental income stream into the future. Any break clauses will be assessed along with the number of unexpired years, bank guarantees and rent reviews.
 - The location will be within the South Hams District Council's boundary as set out in the Investment Strategy. The population of the catchment area, the economic vibrancy and known or anticipated market demand as well as proximity to travel infrastructure and other similar properties will be assessed.

- Rental income paid by the tenant must exceed the cost of repaying the borrowed money from the Public Works Loan Board (which is itself funded by the Government). The surplus is then an ancillary benefit which supports the Council's budget position and enables the Council to continue to provide services for local people.
- Future borrowing from the Public Works Loan Board must meet one of the four permitted categories of borrowing of regeneration, service delivery, housing or re-financing of existing debt.
- The gross and net yield are assessed against the Council's criteria.
- The prevailing interest rates for borrowing at the time.
- Debt proportionality considerations.
- The life and condition of the property is assessed by a valuer and the borrowing is taken out over the life of the asset. The amount of management and maintenance charges are assessed as well as the ease of in-house management. 10% of all rental income (or an amount as deemed prudent) is put into a Maintenance and Management Reserve to cover any longer-term maintenance issues.
- The potential for property growth in terms of both revenue and capital growth will be assessed.
- The risks are determined by the property sector e.g. office, retail, industrial, associated with specific properties and the mix of sectors within the Council's portfolio.
- Details of acquisition costs e.g. stamp duty land tax, legal costs
- The documented exit strategy for a purchase/new build.
- The legal and technical due diligence checks will also identify any specific problems such as anomalies in the title deed, restrictive use classes, indemnities, local competition, construction or refurbishment requirements.
- The Council engages the use of external advisors to assist in undertaking elements of the due diligence checks such as technical, legal, accounting, property and taxation advice.

- The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below that forecasted. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.

6.3 Risk of loss shall be assessed on a case by case basis as part of the acquisition due diligence and will be a criteria considered throughout the approval process. Risk of loss during the management phase of the investment shall be reported in accordance with the criteria below. In accordance with Para 23-25 of Statutory Guidance on Local Government Investments, quantitative indicators or risk and portfolio performance will be reported to Audit Committee. The frequency of this reporting is anticipated to be every 6 months and will include the following indicators (as applicable):

- Rental value by property
- Rental value by tenant
- Sector split by purchase price
- Purchase price
- Rental income profile
- Tenant lease length
- Gross Yield
- Management, Maintenance and Risk Mitigation Reserve (MMRM)
- Current value

Governance

6.4 Acquisitions must conform to the adopted Regeneration and Investment Strategy. Any deviation from the agreed Strategy will require Council approval.

6.5 The Council's Senior Leadership Team will initially consider each proposal as an initial step and recommend that the proposal proceeds in principle.

6.6 When any decision to proceed with a development or acquisition is being considered, local Ward Members will be consulted at the earliest opportunity and be able to share their views with Executive Members and be consulted before the final decision is made.

6.7 Executive Members, along with the Head of Paid Service and S151 officer, will consider each and every proposal on its own merits and specifically how each proposal meets the Council's multiple objectives and desired outcomes.

6.8 Executive Members will consider debt proportionality (the amount borrowed to date against the net service expenditure ratio) on a case by case basis for each acquisition as part of the decision making process, with information provided to them as well as the S151 officer, the Head of Paid Service and the Leader of the Council. Investment indicators are set out within the Council's Treasury Management Strategy.

- 6.9** The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below forecast. The Council also sets aside 10% annually of all rental income into a Maintenance, Management and Risk Mitigation (MMRM) Reserve. This is part of the Council's contingency arrangements.
- 6.10** Officers, working with their specialist advisors in the market will sift opportunities and only present to Executive Members, opportunities that closely meet the Strategy. They will then lead the Executive Members into debate over specific benefits and risks of each opportunity before the Executive Members make a decision. In this way, risk will be transparent through the process.
- 6.11** Projects and their outcomes will be kept under constant review by officers and reported to Executive and Audit Committee.

Regeneration and Investment Strategy

- 6.12** The Council has approved a Regeneration and Investment Strategy (Minute Reference CM 75/21, Council 31/3/2022). To date, Investment Properties have a value of £18.61 million in aggregate as at 31 March 2022.

Debt Proportionality

- 6.13** The investment strategy considers the risks of investment and the Council engaged Treasury Management advisors to analyse the level of debt proportionality to the Council's finances (e.g. levels of reserves, asset base and level of interest costs as a percentage of income).
- 6.14** Investment Property acquisitions expand the Council's balance sheet and interest costs will form a higher percentage of locally derived income. It would absorb some reserves if there are shortfalls in or disruption to the income stream required to meet the additional expenditure.
- 6.15** Sensitivity analysis on the level of debt interest against the Council's level of reserves is considered as part of the Medium Term Financial Strategy and as part of the budget proposals each year. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.
- 6.16** In order that property investments remain proportionate to the size of the Council, borrowing for the Investment Strategy is subject to an overall limit (for all Council services) of £75 million.
- 6.17** The Council set an upper limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £75 million. Interest payments at 4% would equate to 18.9% of available reserves (Appendix G to the Budget Proposals report for 2023/24 – Council 16th February 2023).

Liquidity

- 6.18** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will spread its liquidity profile across its portfolio and also have a spread of the sector in which the Council invests. The Council also documents potential exit strategies as part of its due diligence checks.
- 6.19** Liquidity will be a factor in determining the amount of rent set aside in the Maintenance Management and Risk Mitigation Reserve for each investment which has a balance of £95,000 as at 31 March 2023. This will be reviewed with the same frequency as the risk reporting procedure set out in the Council's Commercial Investment Strategy.

7 Asset Management

- 7.1** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place.
- 7.2** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.
- 7.3** Repayments of capital grants, loans to third parties for capital expenditure and investments also generate capital receipts.
- 7.4** The Council estimates to receive £200,000 capital receipts in the coming financial year as follows:

Capital Receipts	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Asset sales	357,000	200,000	200,000	*1,400,000	200,000
Loans repaid	0	0	0	(1,400,000)	0
TOTAL	357,000	200,000	200,000	0	200,000

**Capital receipts generated from the sale of the houses*

8 **Liabilities**

Governance

- 8.1 Decisions on incurring new discretionary liabilities are taken by Head of Practice in consultation with the Corporate Director for Strategic Finance (Section 151 Officer).
- 8.2 The risk of liabilities crystallising and requiring payment is monitored as part of the budget monitoring and reported to the Executive quarterly.

9 **Revenue Budget Implications**

- 9.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Proportion of financing costs to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs	711,514	*(257,136)	98,845	414,499	406,858
Proportion of net revenue stream	7.2%	(2.5%)	0.8%	3.6%	3.5%

* the financing costs are a net income stream in 22/23 due the level of projected treasury management income

- 9.2 Further details on the revenue implications of capital expenditure are included in the Revenue Budget.

Sustainability

- 9.3 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.
- 9.4 The Corporate Director of Strategic Finance (S151 Officer) is satisfied that the proposed capital programme is prudent, affordable and sustainable and it is fully integrated with the Council's 2023/24 Medium Term Financial Strategy, Treasury Management Strategy and Investment Strategy and other strategic plans. The Capital Strategy is compiled in line with the requirements of the 2021 CIPFA Prudential Code and 2021 Treasury Management Code. The risks associated with the Investment Strategy are covered within the Strategy.

- 9.5** The delivery of the individual capital schemes on the plan is directly linked to the original approval of the capital project supported by each project having a project lead who is responsible for the delivery of the project (appropriate skills, contracting, planning etc.) and the subsequent achievement of the objectives of that project.
- 9.6** Members, via the Executive meetings, receive quarterly budget monitoring reports on the Council's Capital Programme as well as quarterly integrated performance management reports. Through these updates, which are driven by the requirement of financial reporting, Members can review and challenge the delivery of projects and any changes to both the timing and expenditure of the capital project.
- 9.7** If subsequent to the capital project being completed there are variations to the income expected to be generated from that asset, this will be reported as a variance in the quarterly budget monitoring reporting and if ongoing will be included in the following year's revenue budget proposals.
- 9.8** The Council's Senior Leadership Team has oversight for the delivery of and challenge to the Capital Strategy and Capital Programme.

Affordability

- 9.9** Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital programme. This is either demonstrated by a report on the project being presented to Executive/Council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme, or by delegated procedures set out within the commercial investment strategy (containing this information).
- 9.10** All projects need to have a clear funding source. If external funding such as an external grant is to be used, there needs to be a clear funding commitment.
- 9.11** Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing costs of the operation and funding of that capital spend.
- 9.12** Where borrowing is to be used the affordability is of greater importance and the affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing (MRP). This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The rules around the governance of this borrowing are outlined in the Prudential Code (as summarised above).
- 9.13** At no stage should the asset value be lower than the value of outstanding debt unless there is a clear plan to mitigate that shortfall or to sell that asset.

Risks

- 9.14** The risks associated with a significant Capital Programme and a significant level of borrowing can be mitigated through all capital projects being supported by a business case, having adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning, cash flow, clear operational plan for the use of the asset, security and due diligence on loans and purchases, use of external advice where appropriate, project contingencies, full tender process and regular and transparent reporting to Members.
- 9.15** There are clear links from the capital strategy to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members at the Audit Committee and Council. For any new borrowing, and this is a greater risk as the value of borrowing increases, this does increase the Council's overall liabilities that will need to be repaid in the future.
- 9.16** In addition, this increases the Council's level of fixed interest and repayment costs that it will incur each year. In 2023/24 the borrowing liability is estimated at a maximum of £18m with ongoing financing costs of the borrowing of approx. £0.9m. This is a clear risk that all Members need to be aware of.
- 9.17** However, this risk for assets is mitigated by a robust business case and a MRP that will repay the borrowing costs over a (prudent) asset life. Any variations from this are set out in the MRP Policy (section 2.5 of the Treasury Management Strategy). Any variation in expected income is an issue, however given the wide range of operational assets and different income streams this helps to mitigate this risk.
- 9.18** As outlined above in the position statement, investment properties have a different type and level of risk. Risk arises from both variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council has established a clear strategy, criteria and a governance route for these purchases which has included member training, second opinion on asset values, due diligence, site visits, surveys etc. The Council currently owns one investment property in Dartmouth.
- 9.19** There are risks (and rewards) associated with the purchase of these type of assets.

10 Knowledge and Skills

- 10.1** The Council employs professionally qualified and experienced staff in senior positions with responsibility for recommending capital expenditure, borrowing and investment decisions to Members.
- 10.2** The Director of Place & Enterprise is a Chartered Civic Engineer with 19 years of experience. In addition, the Director of Place & Enterprise holds a MSc in Construction Law.
- 10.3** The Corporate Director of Strategic Finance (S.151 Officer) is a Chartered Accountant (ICAEW) with 19 years of experience of being a S151 Officer (Chief Finance Officer). In addition, the Corporate Director for Strategic Finance holds a BSc in Mathematics and has previously worked in the private sector for accountancy firms.
- 10.4** The Principal Estates Specialist is a Chartered Surveyor, with over 15 years post qualification experience.
- 10.5** The Monitoring Officer is a qualified solicitor with over 20 years public sector experience as a Monitoring Officer.
- 10.6** Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The appropriate expertise is always resourced in relation to any financial, legal and asset related due diligence required. A list is below of advisors the Council has used in the past:-
- Link Group – Treasury Management Advice
 - Savills – Property Agents
 - JLL – Property and Technical Consultants
 - Arcadis – Building Surveyors and Engineers
 - Womble Bond Dickinson - Solicitors
- 10.7** This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 10.8** External treasury management training (by Link Group) for Members will be carried out every two years to ensure the up to date skills are in place to make capital and treasury management decisions. Training was last completed in March 2021 and it is planned that the next session will be carried out in the late Summer of 2023 as part of the Member Induction programme.

Treasury Management Strategy Statement 2023/24

1. Introduction

1.1 Background

- 1.1.1 The Council is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is 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.
- 1.1.2 The second main function of the treasury management service is the funding of 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 that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or 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, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.1.5 CIPFA defines treasury management as:
- “The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

1.2 Reporting Requirements

Capital Strategy

- 1.2.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 1.2.2 The aim of this capital strategy is to ensure that all elected Members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 1.2.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy – Minimum Revenue Provision);
 - For non-loan type investments, the cost against the current market value;
 - The risks associated with each activity.
- 1.2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 1.2.5 The Capital Strategy sets out details of the Council's Investment Strategy, which included multiple objectives: (a) to support regeneration and the economic activity of the Council (b) to enhance economic benefit (c) to grow business rate income (d) to assist with the financial sustainability of the Council as an ancillary benefit and (e) to help continue deliver and/or improve frontline services in keeping with its adopted strategy and objectives.
- 1.2.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

- 1.2.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management Reporting

- 1.2.8 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- a. Prudential and treasury indicators and treasury strategy** (this report) -
The first, and most important report is forward looking and 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).
- b. A mid-year treasury management report** – This is primarily a progress report and will update Members on the capital position, amending treasury and prudential indicators as necessary, and whether any policies require revision.
- c. An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

- 1.2.9 The above reports are required to be adequately scrutinised before being approved by Council. Periodic Treasury Management reports are reported to the Audit and Governance Committee for this purpose. Prior to the annual strategies being recommended to Council on 30th March 2023, the strategies are presented to the Council's Audit and Governance Committee on 9th March 2023 for scrutiny.

1.3 Treasury Management Strategy for 2023/24

- 1.3.1 The strategy for 2023/24 covers two main areas:

Capital issues

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

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.

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

1.4 Training

1.4.1 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Training was last completed in March 2021 and it is planned that the next session will be carried out in the Summer of 2023 as part of the Member Induction programme.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury Management advisors

1.5.1 The Council uses Link Group, Link Treasury solutions as its external treasury management advisors.

1.5.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

1.5.4 The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions), and other types of investment, such as investment properties. The Council currently has two investment properties in Dartmouth and Ivybridge (Lee Mill). The Council's negotiating team includes the Strategic Director of Place and Enterprise and the S.151 Officer, who are both members

of the Senior Leadership Team. Both Officers are aware of the core principles of the prudential framework and of the regulatory regime within which Local Authorities operate. The S.151 Officer has attended specific treasury management training courses around the new DLUHC Guidelines on investments and the accounting treatment.

1.5.5 Investments require specialist advisors and the appropriate expertise is always resourced in relation to these activities. The specialist advisors that have been used in the past include:

- Link Group – Treasury Management Advice
- Savills – Property Agents
- JLL – Property and Technical Consultants
- Arcadis – Building Surveyors and Engineers
- Womble Bond Dickinson – Solicitors

2. The Capital Prudential Indicators 2023/24 – 2025/26

2.1 The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members’ overview and confirm capital expenditure plans.

2.2 Capital Expenditure

2.2.1 This prudential indicator is a summary of the Council’s capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Services	3,991,000	10,669,000	12,312,000	2,363,000	1,500,000
Total	3,991,000	10,669,000	12,312,000	2,363,000	1,500,000

2.2.2 Other long-term liabilities - The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

2.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	3,991,000	10,669,000	12,312,000	2,363,000	1,500,000
Financed by:					
External sources (Capital grants, NHB, S106)	1,156,000	2,656,000	1,604,000	1,200,000	0
Own resources (Capital receipts, Earmarked reserves)	1,815,000	1,494,000	3,478,000	1,163,000	1,500,000
Net financing need for the year (This is the prudential borrowing requirement)	1,020,000	6,519,000	7,230,000	0	0

2.3 The Council's Borrowing Need (the Capital Financing Requirement)

- 2.3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (e.g. capital receipts). It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR, if it is funded by borrowing.
- 2.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP – capital repayment of the borrowing) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- 2.3.3 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council does not currently have any such schemes within the CFR.

2.3.4 The Council is asked to approve the CFR projections below:

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
Capital Financing Requirement					
CFR – services	8,629,000	14,707,000	21,440,000	19,345,000	18,645,000
CFR - Non-financial investments	4,907,000	4,861,000	4,813,000	4,764,000	4,713,000
Total CFR	13,536,000	19,568,000	26,253,000	24,109,000	23,358,000
Movement in CFR	534,000	6,032,000	6,685,000	(2,144,000)	(751,000)

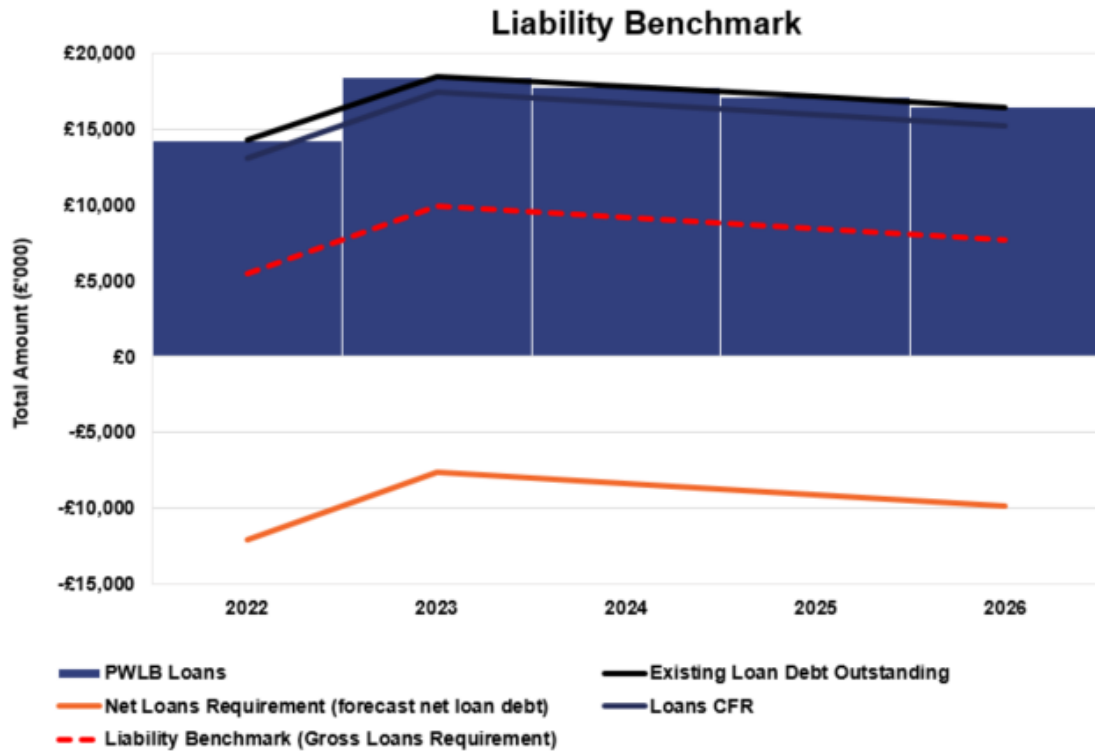
Movement in CFR represented by					
Net financing need for the year (above)	1,020,000	6,519,000	7,230,000	0	0
Less MRP/VRP and other financing movements	(486,000)	(487,000)	(545,000)	(2,144,000)	(751,000)
Movement in CFR	534,000	6,032,000	6,685,000	(2,144,000)	(751,000)

2.4 Liability Benchmark

2.4.1 A third and new prudential indicator for 2023/24 is the 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.

2.4.2 There are four components to the LB: -

- **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show 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.
- **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



2.4.3 Borrowing is currently above the liability benchmark which will be utilised when future capital schemes in the Capital Strategy are delivered.

2.5 Core Funds and Expected Investment Balances

2.5.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
Fund balances / reserves	22,895,000	21,895,000	20,895,000	19,895,000	18,895,000
Capital receipts	2,950,000	3,239,000	1,862,000	2,177,000	2,492,000
Provisions	1,494,000	1,500,000	1,500,000	1,500,000	1,500,000
Other	(1,705,000)	500,000	500,000	500,000	500,000
Total core funds	25,634,000	27,134,000	24,757,000	24,072,000	23,387,000
Working capital*	30,609,000	18,000,000	16,000,000	14,000,000	14,000,000
(Under)/over borrowing	845,000	(5,284,000)	(7,788,000)	(6,305,000)	(6,218,000)
Expected cash position	31,454,000	12,716,000	8,212,000	7,695,000	7,782,000

*Working capital balances shown are estimated year-end; these may be higher mid-year

2.6 Minimum Revenue Provision (MRP) Policy Statement

2.6.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The MRP is the capital repayment of any borrowing.

2.6.2 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

2.6.3 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR.

2.6.4 This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

- 2.6.5 From 1 April 2008 for all unsupported borrowing the MRP policy will be:
- **Asset life (equal instalment) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
 - **Asset life (annuity) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- 2.6.6 These options provide for a reduction in the borrowing need over the asset's life.
- 2.6.7 The asset life methods are simple to operate and gives certainty in each year as to the level of charge applied. The other advantage is that they make business cases and scheme appraisals easier to compile. The annuity method is intended to have the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years. The annuity method gives rise to a lower charge in the early years, which steadily increases over the asset life. This approach means that the MRP for repayment of the debt liability will increase each year over the life of the asset, as the proportion of the interest calculated each year reduces and the principal repayment increases.
- 2.6.8 With all options, MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'.
- 2.6.9 With all options, MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'. However, MRP guidance has been issued, which makes recommendations to Councils on the interpretation of that term. Councils are legally obliged to 'have regard' to the guidance. The Council's policy will be that MRP will not normally commence until the start of the financial year following the one in which the expenditure was incurred and the asset became operational. The Council will postpone making MRP until the financial year following the one in which the asset becomes operational.
- 2.6.10 **MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2022 the Council had no VRP overpayments.

2.6.11 **Housing projects** – For the Council’s housing programme, some of the assets to be developed will be sold within a short timeframe after they have been built. The Council’s MRP policy for these housing assets will be that capital receipts generated on the sale of assets will be set aside and used to reduce the Council’s CFR and also the amount that would otherwise be chargeable as MRP in that period. The Council will also defer the provision of MRP that would otherwise be chargeable in a period, in anticipation of capital receipts arising from future sales which have yet to be materialised. If the capital receipts from the sale of assets were insufficient to provide for the CFR relating to the scheme, the Council would commence MRP to recover any sums that were not covered by future capital receipts.

3. **Borrowing**

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council’s capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 **Current Portfolio Position**

3.2.1 The overall treasury management portfolio as at 31 March 2021 and for the position as at 31 January 2023 are shown below for both borrowing and investments.

Treasury Portfolio	31 March 2022 Actual		31 January 2023 Current	
Treasury Investments:				
Short term – fixed	30,500,000	0.51%	27,900,000	1.79%
Money Market Funds	22,400,000	0.38%	21,300,000	1.83%
Heritable Bank	11,000		11,000	
CCLA – Local Authority Property Fund	1,573,000	3.25%	1,573,000	3.25%
CCLA – Diversified Income Fund	2,032,000	2.39%	2,032,000	2.39%
Total treasury investments	56,516,000		52,816,000*	
Treasury External Borrowing				
PWLB (average rate)	14,380,000	2.43%	14,309,000	2.43%
Total external borrowing	14,380,000		14,309,000	
Net treasury investments / (borrowing)	42,136,000		38,507,000	

**The Council’s investments mid way through the year are always higher than at the year end due to the cashflow advantage that the Council benefits from part way through the year from the collection of Council Tax, before these are paid out to precepting authorities.*

3.2.2 The Council's current Non-Treasury Investment portfolio position is shown below.

Asset	Purchase Price (£)	Year Purchased	Asset life for the calculation of MRP (Years)	Value at 31 March 2022* (£)
Lee Mill Tesco	4,400,000		50	13,860,000
Dartmouth M&S	5,029,000	2019/20	50	4,750,000
TOTAL	9,429,000			18,610,000

*following fair value adjustments

3.2.3 The Fair Value Valuation at 31.3.2022 of the two investment properties was £18.610 million.

3.2.4 During 2017/18, officers undertook a review of existing assets which resulted in the Council reclassifying the site at Lee Mill as an investment property with effect from 31 December 2017. The Council receives rental income from this property and there is no borrowing associated with this non-treasury investment.

3.2.5 Indicators for the Council's Non-Treasury Investment portfolio are shown below.

Non-Treasury Investment Indicators	Actual 2021/22	Estimate as at 31 Mar 23
Total investment income as a proportion of the Council's Net Budget	6.71%	6.23%
Borrowing for Non-Treasury investments as a proportion of the Council's Net Budget	51.06%	47.44%
Investment income from Investment Properties compared to the interest expense incurred by them	571.06%	572.10%

3.2.6 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 any over or under borrowing.

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt					
Debt at 1 April	14,474,000	14,381,000	14,284,000	18,465,000	17,804,000
Expected change in Debt	(93,000)	(97,000)	4,181,000	(661,000)	(664,000)
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	14,381,000	14,284,000	18,465,000	17,804,000	17,140,000
The Capital Financing Requirement	13,536,000	19,568,000	26,253,000	24,109,000	23,358,000
Under / (over) borrowing	(845,000)	5,284,000	7,788,000	6,305,000	6,218,000

3.2.7 Within the above figures the level of debt relating to investment activities / non-financial investment is:

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt for investment activities / non-financial investments					
Actual debt at 31 March for Investment activities	5,011,000	4,965,000	4,917,000	4,867,000	4,816,000
Percentage of all PWLB external debt %	35%	35%	27%	27%	28%

3.2.8 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.2.9 The Corporate Director for Strategic Finance (S151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report for 2023/24.

3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £75 million. The Operational Boundary is recommended to be set at £35 million to reflect the current projected levels of borrowing. Council are asked to re-affirm the total Authorised Borrowing Limit of £75 million.

3.3.2 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate
Total external debt	50,000,000	35,000,000	35,000,000	35,000,000

3.3.3 **The Authorised Limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

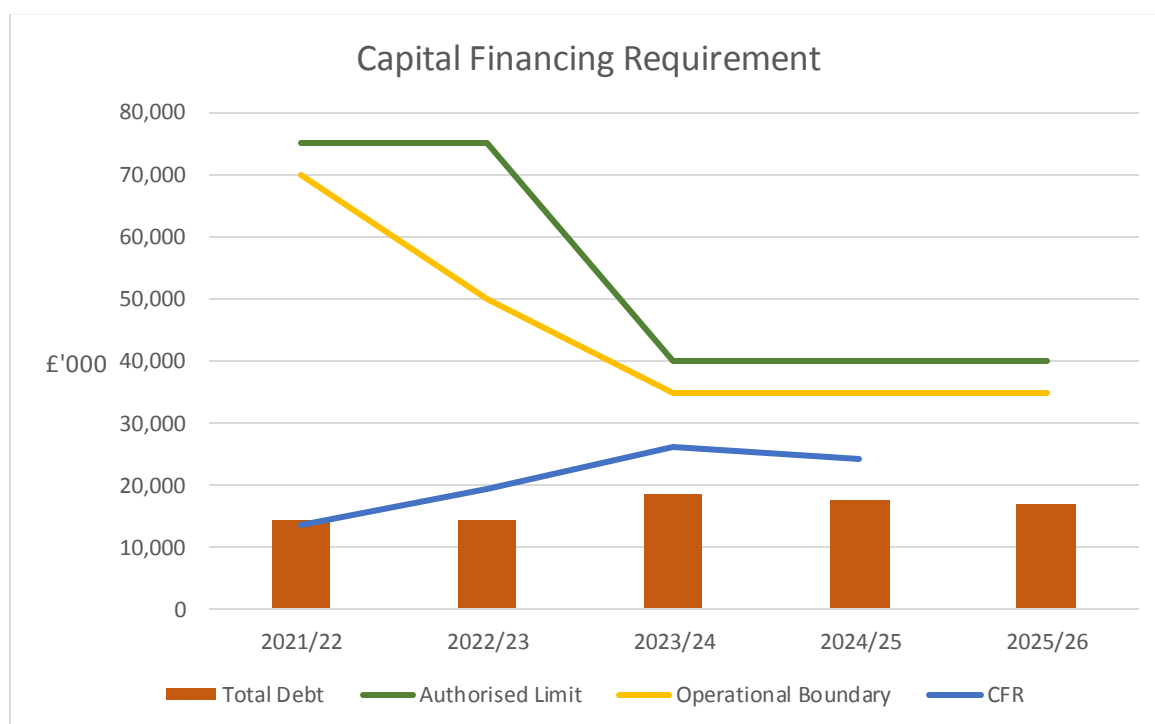
3.3.4 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.3.5 The Council is asked to approve the following authorised limit of £40 million:

Authorised limit	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate
Total external debt	75,000,000	40,000,000	40,000,000	40,000,000


3.3.6 The graph below shows the CFR and borrowing projections.

	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
General Fund	8,629,000	14,707,000	21,440,000	19,345,000	18,645,000
Investment activities / non-financial investments	4,907,000	4,861,000	4,813,000	4,764,000	4,713,000
Total CFR	13,536,000	19,568,000	26,253,000	24,109,000	23,358,000
External Borrowing	14,381,000	14,284,000	18,465,000	17,804,000	17,140,000
Authorised Limit	75,000,000	75,000,000	40,000,000	40,000,000	40,000,000
Operational Boundary	70,000,000	50,000,000	35,000,000	35,000,000	35,000,000



3.4 Prospects for Interest Rates

3.4.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts. These are forecasts for certainty rates, gilt yields plus 80 bps.

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3.4.2 The Bank Rate stands at 4.0% currently but as shown in the forecast table above, it is expected to reach a peak of 4.5% during the first half of 2023.

3.4.3 Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

3.4.4 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

3.4.5 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

3.4.6 **PWLB rates** – The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.60%.

3.5 Borrowing Strategy

3.5.1 The Council will continue to assess the opportunities to borrow and look to use a mix of external loans to finance any increase in the Capital Financing Requirement (CFR). Any opportunities to reduce interest costs by maintaining an under-borrowed position will be considered. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

3.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Corporate Director for Strategic Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then any further external borrowing could be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.5.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.6 Policy on Borrowing in Advance of Need

3.6.1 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 that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.6.2 Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and
- The authority would not look to borrow more than 36 months in advance of need.

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

3.7 Debt Rescheduling

3.7.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

3.7.2 If rescheduling is to be undertaken, it will be reported to the Council at the earliest meeting following its action.

3.8 New Financial Institutions as a Source of Borrowing

3.8.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time and minimum amounts of borrowing)

3.8.2 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.9 Maturity Structure of Borrowing

3.9.1 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.

Maturity structure of fixed interest rate borrowing 2023/24		
	Lower	Upper
Less than 1 year	0%	10%
Between 1 and 2 years	0%	10%
Between 2 years to 5 years	0%	50%
Between 5 years to 10 years	0%	50%
Between 10 years to 20 years	0%	50%
20 years and above	0%	100%

3.10 Approved Sources of Long and Short Term Borrowing

3.10.1 Approved sources of borrowing are as follows:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Medium Term Notes	●	
Finance leases	●	●

APPENDIX B1

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Delegation from the Director of Strategic Finance (S151) to the nominated posts for the taking of investment decisions

- Head of Finance (Deputy S151)
- Finance Business Partners

APPENDIX B2

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe for example 25+ years.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the 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 (*TM Code p54*): -
 - 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.

APPENDIX C

Annual Investment Strategy 2023/24

1. Annual Investment Strategy

1.1 Investment Policy – Management of Risk

- 1.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG) 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 and service investments, are covered in the Capital Strategy, (a separate report).
- 1.1.2 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
- 1.1.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.
- 1.1.4 The above guidance from the 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 the following means: -
1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **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 will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix C1 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 being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, 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.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £6.86 million of the total investment portfolio, (see Appendix C1).
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 1.2.6.
7. **Transaction limits** are set for each type of investment in 1.2.6.
8. This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 1.4.6).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 1.3.1).
10. This authority has engaged **external advisers**, to provide expert treasury management 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.

11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under 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 at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 23). At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.
13. **Investments in equity instruments designated at fair value through other comprehensive income.** Upon transition to IFRS9 – Financial Instruments on 1 April 2018, the Council elected to designate the CCLA Property Fund investment (£0.5m) and the CCLA Diversified Income Fund (£1m) as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash. The Council currently holds £1.5m in the CCLA Property Fund and £2m in the CCLA Diversified Income Fund.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 1.5.1). Regular monitoring of investment performance will be carried out during the year.

1.2 Creditworthiness Policy

1.2.1 This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- “watches” and “outlooks” from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

1.2.2 This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is 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 (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour - not to be used

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

1.2.4 Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) 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.

1.2.5 All credit ratings will be monitored on a real-time basis. The Council is alerted to changes to ratings of all three agencies through its use of the 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 on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5 years	Up to 5 years	Up to 5 years	Up to 2 years	Up to 1 year	Up to 1 year	Up to 6 months	Up to 100 days	No colour

	Minimum credit criteria/colour band	Limit per institution Max % of total investments	Maximum maturity
DMADF	n/a	100%	6 months
Money Market Funds	AAA	£6m	Daily liquidity
Cash Plus Funds/ Ultra short bond funds	AAA, AA	£6m	T+1 to T+4
CCLA Local Authorities Property Fund	Not credit rated	£1.5m	No fixed maturity date but will generally be held for up to 7 years
CCLA Diversified Income Fund	Not credit rated	£2m	No fixed maturity date but will generally be held for up to 7 years
Local Authorities	Yellow	£6 million per institution	5 years
Unsecured investments with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	£6m (£7m for Lloyds plc)	Up to 5 years Up to 2 years Up to 1 years Up to 1 years Up to 6 months Up to 100 days Not for use
Share capital in a body corporate	N/A	nil	N/A
Loan capital in a body corporate	N/A	£0.36 million	N/A

Creditworthiness

- 1.2.7 Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.
- 1.2.8 **CDS prices.** Although bank CDS prices (these are market indicators of credit risk) spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

1.3 Limits

- 1.3.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.
- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £6.86 million of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** (see Appendix C2).
- c) **Other limits.** In addition:
- no more than £6 million will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.
- 1.3.2 **Loans.** In accordance with the Statutory Guidance on Local Government Investments, a local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth.

The Council can make such loans whilst continuing to have regard to this guidance, subject to the following requirements of the Council's strategy, being:-

- i) Total financial exposure to these type of loans is proportionate;
- ii) The Council uses an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 Financial Instruments as adopted by proper practices to measure the credit risk of its loan portfolio;
- iii) The appropriate credit control arrangements to recover overdue repayments are in place; and
- iv) The local authority has formally agreed the total level of loans by type that it is willing to make and the total loan book is within the self-assessed limit.

1.4 Investment Strategy

1.4.1 **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 investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

1.4.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

1.4.3 **Investment Returns Expectations.** The current forecast includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

1.4.4 **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.

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

Upper limit for principal sums invested for longer than 365 days			
	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£3,500,000	£3,500,000	£3,500,000
Current investments as at 31.01.23 in excess of 1 year maturing in each year*	£3,500,000	£3,500,000	£3,500,000

**Monies already invested in the CCLA Property Fund (£1.5 million) and the CCLA Diversified Income Fund (£2 million)*

1.4.6 For its cash flow generated balances, the Council will seek to utilise its money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

1.4.7 The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects, but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.

1.5 Investment Performance / Risk Benchmarking

1.5.1 The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the Sterling Overnight Interbank Average rate (SONIA).

1.6 End of Year Investment Report

1.6.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

APPENDIX C1

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments

All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
Money Market Funds	AAA	£6,000,000 per fund	Liquid
Ultra Short Dated Bond Funds	AAA	£6,000,000	Liquid
Local authorities	Yellow	£6,000,000 per institution	12 months
Term deposits with banks and building societies	Blue	£6,000,000 per institution (£7,000,000 for Lloyds)	Up to 1 Year
	Orange		Up to 1 Year
	Red		Up to 6 months
	Green		Up to 100 days
	No Colour		Not for use

Non-Specified Investments

Investment instruments with less high credit quality, 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. The Council's CCLA Property Fund investment (£1.5m) and CCLA Diversified Income Fund investment (£2m) are the only investment types that the Council has which meets the definition of a non-specified investment.

The limits shown below for share capital and loan capital are the maximum limits for this investment type.

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Property Investment Funds – CCLA	N/A	£1,500,000	No fixed maturity date but will generally be up to 7 years
Diversified Income Fund – CCLA	N/A	£2,000,000	No fixed maturity date but will generally be up to 7 years
UK Government Gilts	Yellow	£3,000,000	5 Years
Share capital in a body corporate (See note 1 and note 2 below)	N/A	nil	N/A
Loan capital in a body corporate (See note 1 and note 2 below)	N/A	£360,000	N/A
TOTAL		£6,860,000	

Note 1. The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. The Council will seek further advice on the appropriateness and associated risks with investments in these categories.

Note 2. The Executive report on 28 January 2021 set out the details of a secured loan of up to £360,000 for seven years for a housing project.

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Group credit worthiness service.

Although the countries listed below are eligible for Investment as their credit rating is AA- or higher, the Council mainly invests with Banks or Building Societies within the UK.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K

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Report to: **Audit and Governance Committee**
Date: **9 March 2023**
Title: **Budget Book 2023/24**
Portfolio Area: **Finance and Assets – Cllr H Bastone**
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Pauline Henstock** Role: **Head of Finance Practice**
Carmen Bottrell **Senior Accountant**

Contact: **Email: pauline.henstock@swdevon.gov.uk**
Email: carmen.bottrell@swdevon.gov.uk

Recommendations:

That the Audit and Governance Committee:

1. Notes the content of the Budget Book for 2023/24.

1. Executive summary

Attached is a copy of the Budget Book for 2023/24. This sets out the Council's Revenue Budget for the year into the four Directorates of Customer Service and Delivery, Place and Enterprise, Governance and Assurance and Strategic Finance.

2. Background

The Budget Book compares the Budget for 2022/23 against the Budget for 2023/24. Cost pressures and savings which were set out in the Medium Term Financial Strategy (MTFS) and agreed as part of the budget process are shown in the 'MTFS' column, with a note underneath. For example, the income target for Treasury Management investment income has been increased by £677,000 for 2023/24, and this is shown in Cost Centre S6050 Interest and Investment Income.

The Budget Book shows any 'virements' within 2022/23. A virement is where a budget is moved from one budget holder (and cost centre) to another, to better reflect where budget responsibility should be held. Virements always net to zero.

In addition various presentational changes have been made to the 2023/24 budget shown in the 'other adjustments' column in the Budget Book. This aligns budgets to reflect current income and expenditure arrangements. These adjustments net to zero overall, as they are purely presentational.

3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to set a Balanced Budget each financial year.
Financial Implications to include reference to value for money	Y	<p>There are no direct financial implications as a result of this report.</p> <p>The annual budget setting process will ensure the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p> <p>The Council's auditors, Grant Thornton, provide an annual value for money opinion for the District Council, which is reported to Members each year.</p>

Risk	Y	The Council's budget book sets out the income and expenditure budgeted for each service area. A prudent level of reserves is held by the Council to mitigate against financial risk.
Supporting Corporate Strategy	Y	The budget book report supports all of the Delivery Plans within the Council's strategic vision, 'Better Lives for All'.
Climate Change – Carbon / Biodiversity Impact	N	None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	None

Supporting Information

Appendix A – Budget Book summary 2023/24

Approval and clearance of report

Process Checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

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South Hams District Council
Draft Base Revenue Budget for the Financial Year 2023/24

		(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
Service Group	SLT Budget Holder	22/23 Base Net Budget £'s	22/23 Virements £'s	22/23 Revised Net Budget £'s	23/24 Pressures/ (Savings) £'s	23/24 Budget Preparation Virements £'s	23/24 Salary Estimate Virements £'s	23/24 Final Base Budget £'s
a)	Customer Service & Delivery	7,843,817	0	7,843,817	1,625,300	432,730	201,600	10,103,447
b)	Place & Enterprise	(156,067)	(26,200)	(182,267)	(12,800)	(43,030)	24,800	(213,297)
c)	Governance & Assurance	2,019,894	51,200	2,071,094	398,800	(16,700)	32,400	2,485,594
d)	Strategic Finance	2,128,123	(25,000)	2,103,123	(325,600)	(373,000)	(258,800)	1,145,723
Total		11,835,767	0	11,835,767	1,685,700	0	0	13,521,467
Contributions to/(from) Earmarked Reserves		561,600						149,600
Contributions to/(from) Unearmarked Reserves		0						0
Reversal of Depreciation		(1,933,000)						(1,933,000)
Net Budget Total		10,464,367						11,738,067
Funded by:								
Localised Business Rates		2,274,139						2,447,681
Business Rates Pooling Gain		300,000						300,000
Council Tax (an increase of £5 in 23/24)		7,061,585						7,407,344
Collection Fund Surplus/(Surplus)		181,000						332,000
Revenue Support Grant		0						138,000
Rural Services Delivery Grant		428,206						478,583
Lower Tier Services Grant		86,501						0
Services Grant (one off 22/23)		132,936						77,991
Funding Guarantee		0						694,468
Less grants rolled into the Funding Guarantee amount		0						(138,000)
Total		10,464,367						11,738,067

		(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
a)	Customer Service & Delivery	22/23 Base Net Budget £'s	22/23 Virements £'s	22/23 Revised Net Budget £'s	23/24 Pressures/ (Savings) £'s	23/24 Budget Preparation Virements £'s	23/24 Salary Estimate Virements £'s	23/24 Final Base Budget £'s
S1001	Operations Team Leader	0	0	0	0	50,700	0	50,700
S1010	Customer Contact Centre	306,700	0	306,700	37,300	0	28,000	372,000
S1013	Localities Team Salaries	409,200	0	409,200	35,400	0	8,200	452,800
S1304	Grounds Maintenance	525,485	0	525,485	31,600	0	26,200	583,285
S1309	Tree Maintenance	42,000	0	42,000	0	0	0	42,000
S1565	Housing Benefit Payments	158,000	0	158,000	0	0	0	158,000
S1568	Housing Benefit Administration	(182,100)	0	(182,100)	0	0	0	(182,100)
S1571	Council Tax Collection	(386,600)	0	(386,600)	0	0	0	(386,600)
S1574	Council Tax Support	(84,000)	0	(84,000)	0	0	0	(84,000)
S1988	ICT Team Salaries	326,300	0	326,300	49,500	(400)	(43,000)	332,400

S1989	Waste & Cleansing Team Salaries	Sarah Moody	169,600	0	169,600	16,100	0	60,200	245,900
S1992	Benefits Team Salaries	Geni Hotchkiss	322,800	0	322,800	44,100	0	(43,000)	323,900
S1995	Revenues Team Salaries	Geni Hotchkiss	314,300	0	314,300	38,600	0	12,200	365,100
S2017	Street and Beach Cleaning	Sarah Moody	1,179,545	0	1,179,545	151,800	260	0	1,331,605
S2030	Totnes Depot	Sarah Moody	26,440	0	26,440	0	4,170	0	30,610
S2043	Ivybridge Depot	Sarah Moody	26,865	0	26,865	0	0	0	26,865
S2044	Torr Quarry Depot	Sarah Moody	5,200	0	5,200	0	0	0	5,200
S2701	Waste & Recycling Collection	Sarah Moody	2,919,335	0	2,919,335	1,296,200	129,900	0	4,345,435
S2705	Recycling Services	Sarah Moody	0	0	0	(90,000)	90,000	0	0
S2713	Trade Waste Services	Sarah Moody	(27,600)	0	(27,600)	(146,900)	0	0	(174,500)
S2716	Food Waste Services	Sarah Moody	(3,400)	0	(3,400)	0	0	0	(3,400)
S2884	Supervisors Vehicles	Sarah Moody	5,300	0	5,300	0	0	0	5,300
S4001	Senior Leadership Team	Andy Bates	304,800	0	304,800	36,200	(100)	12,700	353,600
S4002	Heads of Service	Andy Bates	657,000	0	657,000	114,800	0	105,000	876,800
S4082	Landline Telephones	Mike Ward	39,700	0	39,700	0	0	0	39,700
S4084	ICT Support Contracts	Mike Ward	547,747	0	547,747	(10,000)	20,000	0	557,747
S4085	Mobile Phones	Mike Ward	19,000	0	19,000	0	0	0	19,000
S4086	ICT Hardware Replacement	Mike Ward	46,600	0	46,600	0	0	0	46,600
S4087	Photocopiers/MFD's	Mike Ward	33,900	0	33,900	0	0	0	33,900
S4155	Digital Mail Room	Jim Davis	81,000	0	81,000	13,600	138,200	(500)	232,300
S4501	Performance & Intelligence Salaries	Jim Davis	60,700	0	60,700	7,000	0	35,600	103,300
			7,843,817	0	7,843,817	1,625,300	432,730	201,600	10,103,447

			(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
b)	Place & Enterprise	Budget Manager	22/23 Base Net Budget £'s	22/23 Virements £'s	22/23 Revised Net Budget £'s	23/24 Pressures/ (Savings) £'s	23/24 Budget Preparation Virements £'s	23/24 Salary Estimate Virements £'s	23/24 Final Base Budget £'s
S1030	Economic Development	Chris Shears	24,300	0	24,300	0	0	0	24,300
S1060	Community Development	Chris Shears	135,400	0	135,400	0	0	0	135,400
S1070	Environmental Initiatives	Chris Shears	46,300	0	46,300	0	0	0	46,300
S1082	Strategic Planning Salaries	Chris Shears	86,500	0	86,500	14,400	0	(7,200)	93,700
S1092a	Sherford Development Salaries	Ian Sosnowski	118,500	0	118,500	12,100	0	35,600	166,200
S1104	Land & Investment Properties	Laura Wotton	(917,510)	0	(917,510)	0	0	0	(917,510)
S1165	Follaton House Offices	Laura Wotton	259,279	0	259,279	291,700	1,260	1,800	554,039
S1301	Community Parks & Open Spaces	Laura Wotton	159,880	0	159,880	0	3,920	0	163,800
S1305	Cemeteries & Burials	Laura Wotton	21,270	0	21,270	0	0	0	21,270
S1306	Countryside Recreation	Laura Wotton	500	0	500	0	0	0	500
S1310	Leisure Centres	Jon Parkinson	(176,300)	0	(176,300)	0	0	0	(176,300)
S1311	Outdoor Sports & Recreation	Laura Wotton	166,630	0	166,630	0	280	0	166,910
S1365	Flood Defence & Land Drainage	Laura Wotton	20,380	0	20,380	0	0	0	20,380
S1367	Coast Protection	Laura Wotton	29,350	0	29,350	0	0	0	29,350
S1400	Employment Estates	Laura Wotton	(462,470)	0	(462,470)	(150,000)	(32,130)	0	(644,600)
S1501	General Health	Ian Luscombe	11,000	0	11,000	0	0	0	11,000
S1503	Public Health	Ian Luscombe	(31,023)	0	(31,023)	0	0	0	(31,023)
S1531	Licensing	Ian Luscombe	(188,600)	0	(188,600)	0	2,300	0	(186,300)
S1533	Pest Control	Ian Luscombe	20,000	0	20,000	0	0	0	20,000
S1534	Pollution Control	Ian Luscombe	(4,100)	0	(4,100)	0	0	0	(4,100)
S1535	Food Safety	Ian Luscombe	2,750	0	2,750	0	0	0	2,750
S1536	Health & Safety at Work	Ian Luscombe	9,900	0	9,900	0	0	0	9,900

S1544	Community Safety	Ian Luscombe	5,600	0	5,600	0	0	0	5,600
S1545	Emergency Planning	Ian Luscombe	9,600	0	9,600	0	0	0	9,600
S1550	Housing Standards	Ian Luscombe	4,350	0	4,350	0	3,550	0	7,900
S1551	Homelessness	Isabel Blake	82,710	0	82,710	0	0	0	82,710
S1552	Housing Advice	Isabel Blake	3,000	0	3,000	0	0	0	3,000
S1555	Private Sector Housing Renewal	Ian Luscombe	0	0	0	0	0	0	0
S1558	Housing Strategy	Chris Shears	2,800	0	2,800	0	0	0	2,800
S1993	Environmental Health Team Salaries	Ian Luscombe	580,800	0	580,800	74,200	(100)	(19,200)	635,700
S1994	Assets Team Salaries	Laura Wotton	728,200	(158,000)	570,200	64,800	(400)	(20,400)	614,200
S1999	Housing Team Salaries	Isabel Blake	258,800	65,800	324,600	(89,500)	0	(34,000)	201,100
S2002	Beach & Water Safety	Cam Sims-Stirling	50,150	0	50,150	0	4,100	0	54,250
S2005	Salcombe Harbour	Cam Sims-Stirling	0	0	0	0	0	0	0
S2010	Dartmouth Lower Ferry	Cam Sims-Stirling	71,490	0	71,490	(117,900)	1,300	16,000	(29,110)
S2101	Car & Boat Parking	Emma Widdicombe	(1,675,860)	0	(1,675,860)	(191,600)	38,190	39,400	(1,789,870)
S2310	Dog Warden Service	Emma Widdicombe	5,000	0	5,000	0	0	0	5,000
S2400	Public Conveniences	Emma Widdicombe	461,627	0	461,627	33,900	0	0	495,527
S2734	Pannier Markets	Ian Luscombe	(89,970)	0	(89,970)	0	0	0	(89,970)
S2841	Repairs & Maintenance	Laura Wotton	13,700	0	13,700	36,600	(65,300)	15,000	0
S4105	Economy Team Salaries	Chris Shears	0	66,000	66,000	8,500	0	(2,200)	72,300
			(156,067)	(26,200)	(182,267)	(12,800)	(43,030)	24,800	(213,297)

(1) (2) (1)+(2)= 2a (3) (4) (5) (2a)+(3)+(4)+(5)

c) Governance & Assurance		Budget Manager	22/23 Base Net Budget	22/23 Virements	22/23 Revised Net Budget	23/24 Pressures/ (Savings)	23/24 Budget Preparation Virements	23/24 Salary Estimate Virements	23/24 Final Base Budget
			£'s	£'s	£'s	£'s	£'s	£'s	£'s
S1003	Land Charges Salaries	Helen Smart	67,000	0	67,000	5,500	0	500	73,000
S1020	Planning Applications and Advice	Pat Whymer	(973,100)	0	(973,100)	0	0	0	(973,100)
S1040	Local Land Charges	Pat Whymer	(143,000)	0	(143,000)	0	0	0	(143,000)
S1996	Human Resources Team Salaries	Andy Wilson	105,600	0	105,600	59,700	(400)	1,600	166,500
S1997	Strategy & Governance Salaries	Neil Hawke	129,300	(41,000)	88,300	11,000	0	44,000	143,300
S1998	Planning Service Salaries	Helen Smart	1,385,200	92,200	1,477,400	216,100	(21,600)	(128,100)	1,543,800
S3001	Electoral Registration	Helen Jarvis	164,800	0	164,800	10,700	0	(5,500)	170,000
S3030	Staff Forum	Michelle Pierce	5,000	0	5,000	0	0	0	5,000
S3041	Communications & Media	Michelle Pierce	58,330	0	58,330	9,400	(100)	(200)	67,430
S3050	Democratic Representation & Management	Darryl White	311,754	0	311,754	0	0	0	311,754
S3051	Member Support & Democratic Services	Darryl White	121,700	0	121,700	15,700	(200)	15,000	152,200
S4004	Corporate Training & Occupational Health	Andy Wilson	38,900	0	38,900	0	(100)	0	38,800
S4005	Business Support Service Based Training	Andy Wilson	25,800	0	25,800	0	0	0	25,800
S4015	Specialists Service Based Training	Andy Wilson	29,500	0	29,500	0	0	0	29,500
S4041	Internal Audit	Neil Hawke	71,000	0	71,000	7,200	(100)	(5,900)	72,200
S4101	Legal Team Salaries	David Fairbairn	203,400	0	203,400	57,700	5,800	106,300	373,200
S4102	Design Team Salaries	Michelle Pierce	42,700	0	42,700	5,800	0	4,700	53,200
S4200	Insurance	Neil Hawke	313,740	0	313,740	0	0	0	313,740
S4511	Building Control Services	Pat Whymer	62,270	0	62,270	0	0	0	62,270
			2,019,894	51,200	2,071,094	398,800	(16,700)	32,400	2,485,594

d)	Strategic Finance	Budget Manager	(1)	(2)	(1)+(2)= 2a	(3)	(4)	(5)	(2a)+(3)+(4)+(5)
			22/23 Base Net Budget £'s	22/23 Virements £'s	22/23 Revised Net Budget £'s	23/24 Pressures/ (Savings) £'s	23/24 Budget Preparation Virements £'s	23/24 Salary Estimate Virements £'s	23/24 Final Base Budget £'s
S1001	Business Support Team Leader Salaries	Pauline Henstock	141,300	0	141,300	19,700	(50,700)	(110,300)	0
S1991	Finance Team Salaries	Pauline Henstock	230,500	0	230,500	25,100	(8,800)	213,400	460,200
S4009	Non Distributed Costs	Pauline Henstock	494,200	(25,000)	469,200	200,000	(204,900)	(65,100)	399,200
S4150	Support Services Salaries	Pauline Henstock	373,800	0	373,800	31,600	(108,600)	(296,800)	0
S4160	Corporate Management	Pauline Henstock	159,800	0	159,800	75,000	0	0	234,800
S4199	Central Service Overheads	Pauline Henstock	74,100	0	74,100	0	0	0	74,100
S6040	Borrowing Costs	Pauline Henstock	777,423	0	777,423	0	0	0	777,423
S6050	Interest & Investment Income	Pauline Henstock	(123,000)	0	(123,000)	(677,000)	0	0	(800,000)
			2,128,123	(25,000)	2,103,123	(325,600)	(373,000)	(258,800)	1,145,723

Note 1. Salary costs for Business Support staff have been re-allocated into their respective Service Delivery teams, as the Heads of Service are now responsible for both Specialist and Business Support salary budgets within their service areas.

South Hams District Council
Customer Service & Delivery Budgets 2023/24

Cost Centre Code	Cost Centre Description	Budget Manager	22/23 Base Net Budget £'s	22/23 In Year Virements (**) £'s	Final Budget 22/23 £'s	23/24 MTFS Adjustments (*) £'s	23/24 Other Adjustments (***) £'s	Final Budget 23/24 £'s
S1001	Operations Team Leader	Sarah Moody	0	0	0	0	50,700	50,700
S1010	Customer Contact Centre	Dale Cropper	306,700	0	306,700	37,300	28,000	372,000
S1013	Localities Team Salaries	Dale Cropper	409,200	0	409,200	35,400	8,200	452,800
S1304	Grounds Maintenance	Dale Cropper	525,485	0	525,485	31,600	26,200	583,285
S1309	Tree Maintenance	Dale Cropper	42,000	0	42,000	0	0	42,000
S1565	Housing Benefit Payments	Geni Hotchkiss	158,000	0	158,000	0	0	158,000
S1568	Housing Benefit Administration	Geni Hotchkiss	(182,100)	0	(182,100)	0	0	(182,100)
S1571	Council Tax Collection	Geni Hotchkiss	(386,600)	0	(386,600)	0	0	(386,600)
S1574	Council Tax Support	Geni Hotchkiss	(84,000)	0	(84,000)	0	0	(84,000)
S1988	ICT Team Salaries	Mike Ward	326,300	0	326,300	49,500	(43,400)	332,400
S1989	Waste & Cleansing Team Salaries	Sarah Moody	169,600	0	169,600	16,100	60,200	245,900
S1992	Benefits Team Salaries	Geni Hotchkiss	322,800	0	322,800	44,100	(43,000)	323,900
S1995	Revenues Team Salaries	Geni Hotchkiss	314,300	0	314,300	38,600	12,200	365,100
S2017	Street and Beach Cleaning	Sarah Moody	1,179,545	0	1,179,545	151,800	260	1,331,605
S2030	Totnes Depot	Sarah Moody	26,440	0	26,440	0	4,170	30,610
S2043	Ivybridge Depot	Sarah Moody	26,865	0	26,865	0	0	26,865
S2044	Torr Quarry Depot	Sarah Moody	5,200	0	5,200	0	0	5,200
S2701	Waste & Recycling Collection	Sarah Moody	2,919,335	0	2,919,335	1,296,200	129,900	4,345,435
S2705	Recycling Services	Sarah Moody	0	0	0	(90,000)	90,000	0
S2713	Trade Waste Services	Sarah Moody	(27,600)	0	(27,600)	(146,900)	0	(174,500)
S2715	Garden Waste Services	Sarah Moody	0	0	0	0	0	0
S2716	Food Waste Services	Sarah Moody	(3,400)	0	(3,400)	0	0	(3,400)
S2884	Supervisors Vehicles	Sarah Moody	5,300	0	5,300	0	0	5,300
S4001	Senior Leadership Team	Andy Bates	304,800	0	304,800	36,200	12,600	353,600
S4002	Heads of Service	Andy Bates	657,000	0	657,000	114,800	105,000	876,800
S4082	Landline Telephones	Mike Ward	39,700	0	39,700	0	0	39,700
S4084	ICT Support Contracts	Mike Ward	547,747	0	547,747	(10,000)	20,000	557,747
S4085	Mobile Phones	Mike Ward	19,000	0	19,000	0	0	19,000
S4086	ICT Hardware Replacement	Mike Ward	46,600	0	46,600	0	0	46,600
S4087	Photocopiers/MFD's	Mike Ward	33,900	0	33,900	0	0	33,900
S4155	Digital Mail Room	Jim Davis	81,000	0	81,000	13,600	137,700	232,300
S4501	Performance & Intelligence Salaries	Jim Davis	60,700	0	60,700	7,000	35,600	103,300
			7,843,817	0	7,843,817	1,625,300	634,330	10,103,447

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process

(**) 2022/23 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.

(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.

Operations Team Leaders		Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1001	Expenditure							
		Employees	0		0	0	75,900	75,900
		Transport Related	0		0	0	100	100
	Income							
		Recharges	0		0	0	(25,300)	(25,300)
	Net Expenditure	0		0	0	50,700	50,700	

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs and reflect the current staffing structure

Customer Contact Centre		Jim Davis	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1010	Expenditure							
		Employees	447,600		447,600	37,300	45,700	530,600
		Transport Related	2,700		2,700	0	0	2,700
	Income							
		Recharges	(143,600)		(143,600)	0	(17,700)	(161,300)
	Net Expenditure	306,700		306,700	37,300	28,000	372,000	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £37.3K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Localities Team Salaries		Dale Cropper	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1013	Expenditure							
		Employees	425,200		425,200	35,400	11,100	471,700
		Transport Related	23,700		23,700	0	0	23,700
	Income							
		Recharges	(39,700)		(39,700)	0	(2,900)	(42,600)
	Net Expenditure	409,200		409,200	35,400	8,200	452,800	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £35.4K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Grounds Maintenance		Dale Cropper	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1304	Expenditure							
		Depreciation Impairment Losses	33,900		33,900	0	0	33,900
		Employees	382,400		382,400	31,600	26,200	440,200
		Premises Related	9,490		9,490	0	0	9,490
		Supplies & Services	58,600		58,600	0	0	58,600
	Transport Related	63,695		63,695	0	0	63,695	

Income						
	Recharges	(22,600)	(22,600)	0	0	(22,600)
	Net Expenditure	525,485	525,485	31,600	26,200	583,285

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £31.6K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Tree Maintenance	Dale Cropper	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1309		Expenditure						
		Premises Related	42,000		42,000	0	0	42,000
		Net Expenditure	42,000		42,000	0	0	42,000

	Housing Benefit Payments	Geni Hotchkiss	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1565		Expenditure						
		Transfer Payments	13,633,800		13,633,800	0	0	13,633,800
		Income						
		Government Grants	(13,475,800)		(13,475,800)	0	0	(13,475,800)
	Net Expenditure	158,000		158,000	0	0	158,000	

	Housing Benefit Administration	Geni Hotchkiss	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1568		Income						
		Government Grants	(182,100)		(182,100)	0	0	(182,100)
		Net Expenditure	(182,100)		(182,100)	0	0	(182,100)

	Council Tax Collection	Geni Hotchkiss	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1571		Expenditure						
		Supplies & Services	9,600		9,600	0	0	9,600
		Income						
		Government Grants	(241,200)		(241,200)	0	0	(241,200)
		Recharges	(155,000)		(155,000)	0	0	(155,000)
	Net Expenditure	(386,600)		(386,600)	0	0	(386,600)	

	Council Tax Support	Geni Hotchkiss	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1574		Income						
		Government Grants	(84,000)		(84,000)	0	0	(84,000)
		Net Expenditure	(84,000)		(84,000)	0	0	(84,000)

	ICT Team Salaries	Mike Ward	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1988		Expenditure						
		Employees	595,600		595,600	49,500	(25,300)	619,800
		Supplies & Services	400		400	0	0	400
		Support Services	(200)		(200)	0	0	(200)
		Transport Related	2,000		2,000	0	0	2,000
		Income						
		Recharges	(271,500)		(271,500)	0	(18,100)	(289,600)
	Net Expenditure	326,300		326,300	49,500	(43,400)	332,400	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £49.5K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Waste & Cleansing Team Salaries	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1989		Expenditure						
		Employees	192,800		192,800	16,100	72,200	281,100
		Income						
		Recharges	(23,200)		(23,200)	0	(12,000)	(35,200)
	Net Expenditure	169,600		169,600	16,100	60,200	245,900	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £16.1K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Benefits Team Salaries	Geni Hotchkiss	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1992		Expenditure						
		Employees	528,300	0	528,300	44,100	(41,200)	531,200
		Income						
		Recharges	(205,500)	0	(205,500)	0	(1,800)	(207,300)
	Net Expenditure	322,800	0	322,800	44,100	(43,000)	323,900	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £44.1K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Revenues Team Salaries	Geni Hotchkiss	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1995	Expenditure							
		Employees	461,200		461,200	38,600	38,000	537,800
		Transport Related	1,800		1,800	0	0	1,800
	Income							
		Recharges	(148,700)		(148,700)	0	(25,800)	(174,500)
	Net Expenditure	314,300		314,300	38,600	12,200	365,100	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £38.6K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Street and Beach Cleaning	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2017	Expenditure							
		Depreciation Impairment Losses	48,400		48,400	0	0	48,400
		Premises Related	8,940		8,940	0	260	9,200
		Supplies & Services	58,700		58,700	0	0	58,700
		Third Party Payments	1,126,205		1,126,205	151,800	0	1,278,005
	Income							
	Fees & Charges	(3,900)		(3,900)	0	0	(3,900)	
	Recharges	(58,800)		(58,800)	0	0	(58,800)	
	Net Expenditure	1,179,545		1,179,545	151,800	260	1,331,605	

(***) This adjustment relates to the funding allocated to the Street & Beach Cleaning budget following the waste and cleansing services coming back in-house

	Totnes Depot	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2030	Expenditure							
		Depreciation Impairment Losses	11,300		11,300	0	0	11,300
		Premises Related	12,040		12,040	0	4,170	16,210
		Supplies & Services	3,100		3,100	0	0	3,100
	Net Expenditure	26,440		26,440	0	4,170	30,610	

(***) This adjustment relates to the realignment of the internal repairs and maintenance recharges

	Ivybridge Depot	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2043	Expenditure							
		Depreciation Impairment Losses	19,400		19,400	0	0	19,400
		Premises Related	11,090		11,090	0	0	11,090
	Income							
	Rent	(3,625)		(3,625)	0	0	(3,625)	

Net Expenditure	26,865	26,865	0	0	26,865
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	Torr Quarry Depot	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2044	Expenditure							
		Depreciation Impairment Losses	5,200		5,200	0	0	5,200
		Premises Related	0		0	0	0	0
		Net Expenditure	5,200		5,200	0	0	5,200

	Waste & Recycling Collection	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24	
S2701	Expenditure								
		Depreciation Impairment Losses	559,800		559,800	0	0	559,800	
		Premises Related	5,275		5,275	0	15,000	20,275	
		Supplies & Services	447,081		447,081	0	0	447,081	
		Third Party Payments	2,494,579		2,494,579	1,296,200	204,900	3,995,679	
	Income								
		Fees & Charges	(7,900)		(7,900)	0	0	(7,900)	
		Other Grants & Contributions	(534,500)		(534,500)	0	0	(534,500)	
		Recharges	(15,000)		(15,000)	0	(90,000)	(105,000)	
		Sales	(30,000)		(30,000)	0	0	(30,000)	
	Net Expenditure	2,919,335		2,919,335	1,296,200	129,900	4,345,435		

(*) The MTFS adjustment relates mainly to the funding allocated to Waste Collection & Recycling Services (Council 14th July 2022) of £1.25 million.

(***) This adjustment relates to the realignment of internal repairs and maintenance recharges (£15k). In addition the contribution to FCC pension costs is no longer required following the cessation of the contract and has been transferred into this budget to support the ongoing costs of service provision (£204.9k), plus anticipated income from sale of collected recyclable materials (£90k).

	Recycling Services	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2705	Income							
		Other Grants & Contributions	0		0	(90,000)	90,000	0
		Net Expenditure	0		0	(90,000)	90,000	0

(*) The MTFS adjustment relates to additional recycling income for recycling credits

	Trade Waste Services	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
	Expenditure							
		Depreciation Impairment Losses	50,900		50,900	0	0	50,900

S2713	Supplies & Services	418,500	418,500	(115,200)	0	303,300
	Third Party Payments	322,200	322,200	43,100	0	365,300
	Income					
	Fees & Charges	(819,200)	(819,200)	(74,800)	0	(894,000)
	Net Expenditure	(27,600)	(27,600)	(146,900)	0	(174,500) *

*A proportion of costs associated with the Trade Waste service are within the Waste & Recycling Collection budget (S2701).

(*) The MTFS adjustment relates to cost inflation for the trade waste service, savings on tipping fees, and additional income on recycling sacks due to more trade waste being recycled, plus extra income from Controlled Waste Regulations (CWR) registered properties.

	Garden Waste Services	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2715	Expenditure							
	Third Party Payments		0		0	575,000	0	575,000
	Income							
	Fees & Charges		0		0	(575,000)	0	(575,000)
	Net Expenditure		0		0	0	0	0

(*) The MTFS adjustment relates to income generated from the charged garden waste service

	Food Waste Services	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2716	Expenditure							
	Supplies & Services		2,100		2,100	0	0	2,100
	Income							
	Sales		(5,500)		(5,500)	0	0	(5,500)
	Net Expenditure		(3,400)		(3,400)	0	0	(3,400)

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	Supervisors Vehicles	Sarah Moody	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2884	Expenditure							
	Depreciation Impairment Losses		5,300		5,300	0	0	5,300
	Net Expenditure		5,300		5,300	0	0	5,300

	Senior Leadership Team	Andy Bates	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4001	Expenditure							
	Employees		436,400		436,400	36,200	16,300	488,900
	Supplies & Services		6,300		6,300	0	0	6,300
	Transport Related		1,500		1,500	0	0	1,500
	Income							

	Recharges	(139,400)	(139,400)	0	(3,700)	(143,100)
	Net Expenditure	304,800	304,800	36,200	12,600	353,600

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £36.2K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Heads of Service	Andy Bates	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4002	Expenditure						
	Employees	840,200		840,200	114,800	140,200	1,095,200
	Transport Related	600		600	0	0	600
	Income						
	Recharges	(183,800)		(183,800)	0	(35,200)	(219,000)
	Net Expenditure	657,000		657,000	114,800	105,000	876,800

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £69.8K. An additional £45K relates to an increase to the base budget for the new Head of Revenues & Benefits, as agreed at Executive 7th April 2022

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Landline Telephones	Mike Ward	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4082	Expenditure						
	Supplies & Services	39,700		39,700	0	0	39,700
	Net Expenditure	39,700		39,700	0	0	39,700

ICT Support Contracts	Mike Ward	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4084	Expenditure						
	Supplies & Services	875,347	0	875,347	(10,000)	20,000	885,347
	Income						
	Recharges	(327,600)	0	(327,600)	0	0	(327,600)
	Net Expenditure	547,747	0	547,747	(10,000)	20,000	557,747

(***) This adjustment relates to inflation on ICT support contracts

Mobile Phones	Mike Ward	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4085	Expenditure						
	Supplies & Services	19,000		19,000	0	0	19,000
	Net Expenditure	19,000		19,000	0	0	19,000

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4086	ICT Hardware Replacement	Mike Ward						
		Expenditure						
		Supplies & Services	46,600		46,600	0	0	46,600
		Net Expenditure	46,600		46,600	0	0	46,600

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4087	Photocopiers/MFD's	Mike Ward						
		Expenditure						
		Supplies & Services	33,900		33,900	0	0	33,900
		Net Expenditure	33,900		33,900	0	0	33,900

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4155	Digital Mail Room	Jim Davis						
		Expenditure						
		Employees	163,500		163,500	13,600	5,200	182,300
		Supplies & Services	0		0	0	138,200	138,200
		Income						
		Recharges	(82,500)		(82,500)	0	(5,700)	(88,200)
	Net Expenditure	81,000		81,000	13,600	137,700	232,300	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £13.6K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs and reflect the current staffing structure

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4501	Performance & Intelligence Salaries	Jim Davis						
		Expenditure						
		Employees	83,500		83,500	7,000	74,100	164,600
		Transport Related	300		300	0	0	300
		Income						
		Recharges	(23,100)		(23,100)	0	(38,500)	(61,600)
	Net Expenditure	60,700		60,700	7,000	35,600	103,300	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £7K.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

South Hams District Council
Place & Enterprise Budgets 2023/24

Cost Centre Code	Cost Centre Description	Budget Manager	22/23 Base Net Budget £'s	22/23 In Year Virements (**) £'s	Final Budget 22/23 £'s	23/24 MTFS Adjustments (*) £'s	23/24 Other Adjustments (***) £'s	Final Budget 23/24 £'s
S1030	Economic Development	Chris Shears	24,300	0	24,300	0	0	24,300
S1060	Community Development	Chris Shears	135,400	0	135,400	0	0	135,400
S1070	Environmental Initiatives	Chris Shears	46,300	0	46,300	0	0	46,300
S1082	Strategic Planning Salaries	Chris Shears	86,500	0	86,500	14,400	(7,200)	93,700
S1092a	Sherford Development Salaries	Ian Sosnowski	118,500	0	118,500	12,100	35,600	166,200
S1104	Land & Investment Properties	Laura Wotton	(917,510)	0	(917,510)	0	0	(917,510)
S1165	Follaton House Offices	Laura Wotton	259,279	0	259,279	291,700	3,060	554,039
S1301	Community Parks & Open Spaces	Laura Wotton	159,880	0	159,880	0	3,920	163,800
S1305	Cemeteries & Burials	Laura Wotton	21,270	0	21,270	0	0	21,270
S1306	Countryside Recreation	Laura Wotton	500	0	500	0	0	500
S1310	Leisure Centres	Jon Parkinson	(176,300)	0	(176,300)	0	0	(176,300)
S1311	Outdoor Sports & Recreation	Laura Wotton	166,630	0	166,630	0	280	166,910
S1365	Flood Defence & Land Drainage	Laura Wotton	20,380	0	20,380	0	0	20,380
S1367	Coast Protection	Laura Wotton	29,350	0	29,350	0	0	29,350
S1400	Employment Estates	Laura Wotton	(462,470)	0	(462,470)	(150,000)	(32,130)	(644,600)
S1501	General Health	Ian Luscombe	11,000	0	11,000	0	0	11,000
S1503	Public Health	Ian Luscombe	(31,023)	0	(31,023)	0	0	(31,023)
S1531	Licensing	Ian Luscombe	(188,600)	0	(188,600)	0	2,300	(186,300)
S1533	Pest Control	Ian Luscombe	20,000	0	20,000	0	0	20,000
S1534	Pollution Control	Ian Luscombe	(4,100)	0	(4,100)	0	0	(4,100)
S1535	Food Safety	Ian Luscombe	2,750	0	2,750	0	0	2,750
S1536	Health & Safety at Work	Ian Luscombe	9,900	0	9,900	0	0	9,900
S1544	Community Safety	Ian Luscombe	5,600	0	5,600	0	0	5,600
S1545	Emergency Planning	Ian Luscombe	9,600	0	9,600	0	0	9,600
S1550	Housing Standards	Ian Luscombe	4,350	0	4,350	0	3,550	7,900
S1551	Homelessness	Isabel Blake	82,710	0	82,710	0	0	82,710
S1552	Housing Advice	Isabel Blake	3,000	0	3,000	0	0	3,000
S1555	Private Sector Housing Renewal	Ian Luscombe	0	0	0	0	0	0
S1558	Housing Strategy	Chris Shears	2,800	0	2,800	0	0	2,800
S1993	Environmental Health Team Salaries	Ian Luscombe	580,800	0	580,800	74,200	(19,300)	635,700
S1994	Assets Team Salaries	Laura Wotton	728,200	(158,000)	570,200	64,800	(20,800)	614,200
S1999	Housing Team Salaries	Isabel Blake	258,800	65,800	324,600	(89,500)	(34,000)	201,100
S2002	Beach & Water Safety	Cam Sims-Stirling	50,150	0	50,150	0	4,100	54,250
S2005	Salcombe Harbour	Cam Sims-Stirling	0	0	0	0	0	0
S2010	Dartmouth Lower Ferry	Cam Sims-Stirling	71,490	0	71,490	(117,900)	17,300	(29,110)
S2101	Car & Boat Parking	Emma Widdicombe	(1,675,860)	0	(1,675,860)	(191,600)	77,590	(1,789,870)
S2310	Dog Warden Service	Emma Widdicombe	5,000	0	5,000	0	0	5,000
S2400	Public Conveniences	Emma Widdicombe	461,627	0	461,627	33,900	0	495,527
S2734	Pannier Markets	Ian Luscombe	(89,970)	0	(89,970)	0	0	(89,970)
S2841	Repairs & Maintenance	Laura Wotton	13,700	0	13,700	36,600	(50,300)	0
S4105	Economy Team Salaries	Chris Shears	0	66,000	66,000	8,500	(2,200)	72,300
			(156,067)	(26,200)	(182,267)	(12,800)	(18,230)	(213,297)

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process

(**)2022/23 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.

(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.

	Economic Development	Chris Shears	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1030		Expenditure						
		Depreciation Impairment Losses	3,900		3,900	0	0	3,900
		Supplies & Services	27,500		27,500	0	0	27,500
		Income						
		Recharges	(200)		(200)	0	0	(200)
		Rent	(6,900)		(6,900)	0	0	(6,900)
		Net Expenditure	24,300		24,300	0	0	24,300

	Community Development	Chris Shears	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1060		Expenditure						
		Supplies & Services	135,400		135,400	0	0	135,400
		Net Expenditure	135,400		135,400	0	0	135,400

	Environmental Initiatives	Chris Shears	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1070		Expenditure						
		Supplies & Services	46,300		46,300	0	0	46,300
		Net Expenditure	46,300		46,300	0	0	46,300

	Strategic Planning Salaries	Chris Shears	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1082		Expenditure						
		Employees	173,100		173,100	14,400	(100)	187,400
		Income						
		Recharges	(86,600)		(86,600)	0	(7,100)	(93,700)
		Net Expenditure	86,500		86,500	14,400	(7,200)	93,700

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £14.4K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Sherford Development Salaries	Ian Sosnowski	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1092a		Expenditure						
		Employees	144,700		144,700	12,100	277,400	434,200
		Income						
		Recharges	(26,200)		(26,200)	0	(241,800)	(268,000)
		Net Expenditure	118,500		118,500	12,100	35,600	166,200

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £12.1K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Land & Investment Properties	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1104		Expenditure						
		Premises Related	8,190		8,190	0	0	8,190
		Income						
		Rent	(925,700)		(925,700)	0	0	(925,700)
		Net Expenditure	(917,510)		(917,510)	0	0	(917,510)

	Follaton House Offices	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1165		Expenditure						
		Depreciation Impairment Losses	39,400		39,400	0	0	39,400
		Employees	88,700		88,700	7,300	1,800	97,800
		Premises Related	359,540		359,540	284,400	1,260	645,200
		Supplies & Services	100,139		100,139	0	0	100,139
		Support Services	(6,300)		(6,300)	0	0	(6,300)
		Income						
		Fees & Charges	(10,000)		(10,000)	0	0	(10,000)
		Recharges	(3,000)		(3,000)	0	0	(3,000)
		Rent	(309,200)		(309,200)	0	0	(309,200)
		Net Expenditure	259,279		259,279	291,700	3,060	554,039

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £7.3k, plus £36k for the Business Rates Revaluation 2023 increase in the Rateable Value of Follaton House, and price inflation on utilities of £248K.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs (£1.8K), and realignment of the repairs and maintenance recharges (£1.2K)

	Community Parks & Open Spaces	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
		Expenditure						
		Depreciation Impairment Losses	127,500		127,500	0	0	127,500
		Employees	4,500		4,500	0	1,900	6,400

S1301	Premises Related	143,280	143,280	0	2,020	145,300
	Supplies & Services	13,400	13,400	0	0	13,400
	Income					
	Fees & Charges	(16,800)	(16,800)	0	0	(16,800)
	Other Grants & Contributions	(500)	(500)	0	0	(500)
	Recharges	(11,900)	(11,900)	0	0	(11,900)
	Rent	(99,600)	(99,600)	0	0	(99,600)
Net Expenditure	159,880	159,880	0	3,920	163,800	

(***) This adjustment relates to the realignment of the repairs and maintenance recharges (£2k), and an increase in Salcombe Harbour staffing recharges (£1.9k)

	Cemeteries & Burials	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1305		Expenditure						
		Premises Related	4,470		4,470	0	0	4,470
		Supplies & Services	16,800		16,800	0	0	16,800
		Net Expenditure	21,270		21,270	0	0	21,270

	Countryside Recreation	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1306		Expenditure						
		Supplies & Services	500		500	0	0	500
		Net Expenditure	500		500	0	0	500

	Leisure Centres	Jon Parkinson	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1310		Expenditure						
		Depreciation Impairment Losses	405,800		405,800	0	0	405,800
		Supplies & Services	14,761		14,761	0	0	14,761
		Income						
		Fees & Charges	0	(547,161)	(547,161)	0	0	(547,161)
		Other Grants & Contributions	(596,861)	547,161	(49,700)	0	0	(49,700)
	Net Expenditure	(176,300)	0	(176,300)	0	0	(176,300)	

(**)2022/23 Virement - movement between income budgets to better reflect where budget responsibility should be held

	Outdoor Sports & Recreation	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
		Expenditure						

S1311	Depreciation Impairment Losses	115,800	115,800	0	0	115,800
	Premises Related	63,630	63,630	0	280	63,910
	Supplies & Services	11,900	11,900	0	0	11,900
	Income					
	Recharges	(9,400)	(9,400)	0	0	(9,400)
	Rent	(15,300)	(15,300)	0	0	(15,300)
	Net Expenditure	166,630	166,630	0	280	166,910

(***) This adjustment relates to the realignment of the repairs and maintenance recharges

Flood Defence & Land Drainage		Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1365	Expenditure							
		Depreciation Impairment Losses	9,200		9,200	0	0	9,200
		Premises Related	11,180		11,180	0	0	11,180
		Net Expenditure	20,380		20,380	0	0	20,380

Coast Protection		Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1367	Expenditure							
		Depreciation Impairment Losses	70,500		70,500	0	0	70,500
		Premises Related	7,350		7,350	0	0	7,350
	Income							
		Interest	(14,500)		(14,500)	0	0	(14,500)
		Recharges	(2,000)		(2,000)	0	0	(2,000)
		Rent	(32,000)		(32,000)	0	0	(32,000)
	Net Expenditure	29,350		29,350	0	0	29,350	

Employment Estates		Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1400	Expenditure							
		Depreciation Impairment Losses	180,000		180,000	0	0	180,000
		Employees	25,900		25,900	0	6,100	32,000
		Premises Related	213,030		213,030	0	21,770	234,800
		Supplies & Services	85,600		85,600	0	(60,000)	25,600
	Income							
		Fees & Charges	(36,800)		(36,800)	0	0	(36,800)
		Recharges	(24,000)		(24,000)	0	0	(24,000)
		Rent	(906,200)		(906,200)	(150,000)	0	(1,056,200)
		Net Expenditure	(462,470)		(462,470)	(150,000)	(32,130)	(644,600)

(*) The MTFS adjustment relates to price inflation on Salcombe Harbour staffing recharges, totalling £6.1K, plus an increase in the rental income target for employment estates (£150K)

(***) This adjustment relates to the realignment of the repairs and maintenance recharges (£21.8k), an increase in Salcombe Harbour staffing recharges (£6.1k), and a movement between budgets to better reflect where budget responsibility should be held (£60k)

	General Health	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1501		Expenditure						
		Supplies & Services	11,000		11,000	0	0	11,000
		Net Expenditure	11,000		11,000	0	0	11,000

	Public Health	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1503		Expenditure						
		Transport Related	2,577		2,577	0	0	2,577
		Income						
		Fees & Charges	(33,600)		(33,600)	0	0	(33,600)
	Net Expenditure	(31,023)		(31,023)	0	0	(31,023)	

	Licensing	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1531		Expenditure						
		Employees	5,200		5,200	0	2,300	7,500
		Supplies & Services	7,000		7,000	0	0	7,000
		Income						
		Fees & Charges	(195,800)		(195,800)	0	0	(195,800)
		Recharges	(5,000)		(5,000)	0	0	(5,000)
	Net Expenditure	(188,600)		(188,600)	0	2,300	(186,300)	

(*) The MTFS adjustment relates to an increase in Salcombe Harbour staffing recharges, totalling £2.3K.

The salary costs of staff delivering these services are sat within the case management and specialist budgets. An appropriate allocation of these costs will be apportioned to this budget for staff costs

	Pest Control	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1533		Expenditure						
		Supplies & Services	20,000		20,000	0	0	20,000
		Net Expenditure	20,000		20,000	0	0	20,000

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1534	Pollution Control	Ian Luscombe						
		Expenditure						
		Depreciation Impairment Losses	5,400		5,400	0	0	5,400
		Premises Related	500		500	0	0	500
		Supplies & Services	23,000		23,000	0	0	23,000
		Income						
	Fees & Charges	(33,000)		(33,000)	0	0	(33,000)	
	Net Expenditure		(4,100)		(4,100)	0	0	(4,100)

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1535	Food Safety	Ian Luscombe						
		Expenditure						
		Supplies & Services	7,000		7,000	0	0	7,000
		Income						
		Fees & Charges	(1,250)		(1,250)	0	0	(1,250)
	Recharges	(3,000)		(3,000)	0	0	(3,000)	
	Net Expenditure		2,750		2,750	0	0	2,750

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1536	Health & Safety at Work	Ian Luscombe						
		Expenditure						
		Employees	9,900		9,900	0	0	9,900
	Net Expenditure		9,900		9,900	0	0	9,900

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1544	Community Safety	Ian Luscombe						
		Expenditure						
		Supplies & Services	5,600		5,600	0	0	5,600
	Net Expenditure		5,600		5,600	0	0	5,600

			22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
	Emergency Planning	Ian Luscombe						

S1545	Expenditure						
	Premises Related	4,800	4,800	0	0	4,800	
	Supplies & Services	4,800	4,800	0	0	4,800	
	Net Expenditure	9,600	9,600	0	0	9,600	

	Housing Standards	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1550	Expenditure							
	Premises Related	3,350	3,350	0	3,550	6,900		
	Supplies & Services	1,000	1,000	0	0	1,000		
	Net Expenditure	4,350	4,350	0	3,550	7,900		

(***) This adjustment relates to the realignment of the repairs and maintenance recharges

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	Homelessness	Isabel Blake	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1551	Expenditure							
	Depreciation Impairment Losses	37,700	37,700	0	0	37,700		
	Premises Related	105,760	105,760	0	0	105,760		
	Supplies & Services	195,550	195,550	0	0	195,550		
	Income							
	Recharges	(17,000)	(17,000)	0	0	(17,000)		
	Rent	(239,300)	(239,300)	0	0	(239,300)		
Net Expenditure	82,710	82,710	0	0	82,710			

	Housing Advice	Isabel Blake	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1552	Expenditure							
	Supplies & Services	3,000	3,000	0	0	3,000		
	Net Expenditure	3,000	3,000	0	0	3,000		

	Private Sector Housing Renewal	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1555	Expenditure							
	Supplies & Services	10,000	10,000	0	0	10,000		
	Income							

	Fees & Charges	(10,000)	(10,000)	0	0	(10,000)
	Net Expenditure	0	0	0	0	0

Housing Strategy	Chris Shears	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1558	Expenditure						
	Employees	1,300		1,300	0	0	1,300
	Supplies & Services	1,500		1,500	0	0	1,500
	Net Expenditure	2,800		2,800	0	0	2,800

Environmental Health Team Salaries	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1993	Expenditure						
	Employees	903,300	0	903,300	74,200	92,300	1,069,800
	Transport Related	17,800		17,800	0	0	17,800
	Income						
	Fees & Charges	(71,200)	0	(71,200)	0	(38,200)	(109,400)
	Recharges	(269,100)	0	(269,100)	0	(73,400)	(342,500)
Net Expenditure	580,800	0	580,800	74,200	(19,300)	635,700	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £74.2K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Assets Team Salaries	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1994	Expenditure						
	Employees	920,400	(207,900)	712,500	64,800	61,700	839,000
	Transport Related	13,100		13,100	0	0	13,100
	Income						
	Recharges	(205,300)	49,900	(155,400)	0	(82,500)	(237,900)
Net Expenditure	728,200	(158,000)	570,200	64,800	(20,800)	614,200	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £64.8K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Housing Team Salaries	Isabel Blake	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1999	Expenditure						
	Employees	467,500	82,400	549,900	90,500	5,500	645,900
	Transport Related	2,900		2,900	0	0	2,900

Income						
Government Grants	0	0	0	(180,000)	0	(180,000)
Recharges	(211,600)	(16,600)	(228,200)	0	(39,500)	(267,700)
Net Expenditure	258,800	65,800	324,600	(89,500)	(34,000)	201,100

(*) The MTFS adjustment relates mainly to the additional Housing staffing costs of the Housing Delivery Team. In addition £45.8k relates to pay inflation and an increase in the pension rate, and additional income of £180K relates to an increase in the Homelessness Prevention Government Grant.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Beach & Water Safety		Cam Sims-Sterling	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24	
S2002	Expenditure								
		Employees	29,200		29,200	0	4,100	33,300	
		Premises Related	2,150		2,150	0	0	2,150	
		Supplies & Services	2,300		2,300	0	0	2,300	
		Third Party Payments	45,700		45,700	0	0	45,700	
	Income								
		Other Grants & Contributions	(29,200)		(29,200)	0	0	(29,200)	
		Net Expenditure	50,150		50,150	0	4,100	54,250	

(***) The MTFS adjustment relates to an increase in Salcombe Harbour staffing recharges, totalling £4.1K.

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Salcombe Harbour		Cam Sims-Sterling	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24	
S2005	Expenditure								
		Depreciation Impairment Losses	12,800		12,800	0	0	12,800	
		Employees	484,000		484,000	0	0	484,000	
		Premises Related	365,100		365,100	0	0	365,100	
		Supplies & Services	95,400		95,400	0	0	95,400	
		Support Services	36,400		36,400	0	0	36,400	
		Transport Related	61,500		61,500	0	0	61,500	
	Income								
		Fees & Charges	(1,199,100)		(1,199,100)	0	0	(1,199,100)	
		Interest	(400)		(400)	0	0	(400)	
		Other Grants & Contributions	(7,300)		(7,300)	0	0	(7,300)	
		Recharges	154,100		154,100	0	0	154,100	
		Rent	(1,500)		(1,500)	0	0	(1,500)	
		Sales	(1,000)		(1,000)	0	0	(1,000)	
	Net Expenditure	0		0	0	0	0		

Dartmouth Lower Ferry		Cam Sims-Sterling	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
	Expenditure							
		Depreciation Impairment Losses	37,600		37,600	0	0	37,600

S2010	Employees	652,000		652,000	52,100	17,300	721,400
	Premises Related	77,990		77,990	0	0	77,990
	Supplies & Services	31,300		31,300	0	0	31,300
	Transport Related	99,600		99,600	80,000	0	179,600
	Income						
	Fees & Charges	(818,300)	0	(818,300)	(250,000)	0	(1,068,300)
	Other Grants & Contributions	(8,700)		(8,700)	0	0	(8,700)
Net Expenditure	71,490	0	71,490	(117,900)	17,300	(29,110)	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £52.1k. In addition the budget has been increased by £80k on vehicle repairs and maintenance, and the income target has also been increased by £250k from extra usage of the Ferry and a review of charges for 2023.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Car & Boat Parking	Emma Widdecombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2101	Expenditure							
		Depreciation Impairment Losses	22,600		22,600	0	0	22,600
		Employees	296,600		296,600	19,400	51,000	367,000
		Premises Related	783,890		783,890	39,000	16,990	839,880
		Supplies & Services	200,300		200,300	0	9,600	209,900
		Transport Related	182,450		182,450	0	0	182,450
	Income							
		Fees & Charges	(3,113,000)		(3,113,000)	(250,000)	0	(3,363,000)
		Recharges	(7,000)		(7,000)	0	0	(7,000)
		Rent	(41,700)		(41,700)	0	0	(41,700)
	Net Expenditure	(1,675,860)		(1,675,860)	(191,600)	77,590	(1,789,870)	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £19.4k. In addition the budget has been adjusted for increases in rateable value of SHDC assets of £39k. The income target has also been increased by £250k to reflect the extra usage of the car parks, particularly in the coastal areas.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs, plus the realignment of the repairs and maintenance recharges, and price inflation on goods and services. The salary costs of staff delivering these services are sat within the case management and specialist budgets. An appropriate allocation of these costs will be apportioned to this budget for staff costs along with support services and central overheads. The net difference between income and expenditure will be used to support costs associated with the operation and maintenance of parking services, its infrastructure, and the maintenance of off street car parks. It is also used to support and provide other council services such as public toilets, street cleansing, parks and open spaces and other lawfully incurred identified expenditure.

	Dog Warden Service	Emma Widdecombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2310	Expenditure							
		Supplies & Services	9,200		9,200	0	0	9,200
	Income							
		Recharges	(4,200)		(4,200)	0	0	(4,200)
	Net Expenditure	5,000		5,000	0	0	5,000	

	Public Conveniences	Emma Widdecombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2400	Expenditure							
		Depreciation Impairment Losses	118,600		118,600	0	0	118,600
		Premises Related	187,510		187,510	(20,123)	0	167,387
		Third Party Payments	249,925		249,925	33,900	0	283,825
	Income							
		Fees & Charges	(20,123)		(20,123)	20,123	0	0
		Other Grants & Contributions	(48,010)		(48,010)	0	0	(48,010)
		Recharges	(26,275)		(26,275)	0	0	(26,275)
	Net Expenditure	461,627		461,627	33,900	0	495,527	

(*) The MTFS adjustment relates to the funding allocated to the public conveniences budget following the waste and cleansing services coming back in-house (£33.9k)

	Pannier Markets	Ian Luscombe	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2734	Expenditure							
		Premises Related	10,930		10,930	0	0	10,930
		Supplies & Services	9,100		9,100	0	0	9,100
	Income							
		Fees & Charges	(110,000)		(110,000)	0	0	(110,000)
	Net Expenditure	(89,970)		(89,970)	0	0	(89,970)	

	Repairs & Maintenance	Laura Wotton	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S2841	Expenditure							
		Employees	506,700		506,700	36,600	15,000	558,300
		Premises Related	(620,430)		(620,430)	0	(65,300)	(685,730)
		Supplies & Services	158,300		158,300	0	0	158,300
		Transport Related	95,618		95,618	0	0	95,618
	Income							
		Recharges	(126,488)		(126,488)	0	0	(126,488)
	Net Expenditure	13,700		13,700	36,600	(50,300)	0	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £36.6K

(***) The £15K adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs, plus the realignment of the repairs and maintenance recharges to services.

	Economy Team Salaries	Chris Shears	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4105	Expenditure							
		Employees	0	102,300	102,300	8,500	1,300	112,100
		Transport Related	0	2,500	2,500	0	0	2,500
	Income							

	Recharges	0	(38,800)	(38,800)	0	(3,500)	(42,300)
	Net Expenditure	0	66,000	66,000	8,500	(2,200)	72,300

(*) The MTFS adjustment relates to pay inflation and an increase to the pension rate, totalling £8.5K

(**) This Virement aligns the salary costs with the management structure

(***) This adjustment is required to align the pay inflation to the actual sum required to cover the payroll costs

South Hams District Council
Governance & Assurance Budgets 2023/24

Cost Centre Code	Cost Centre Description	Budget Manager	22/23 Base Net Budget £'s	22/23 In Year Virements (**) £'s	Final Budget 22/23 £'s	23/24 MTFS Adjustments (*) £'s	23/24 Other Adjustments (***) £'s	Final Budget 23/24 £'s
S1003	Land Charges Salaries	Helen Smart	67,000	0	67,000	5,500	500	73,000
S1020	Planning Applications and Advice	Pat Whymer	(973,100)	0	(973,100)	0	0	(973,100)
S1040	Local Land Charges	Pat Whymer	(143,000)	0	(143,000)	0	0	(143,000)
S1996	Human Resources Team Salaries	Andy Wilson	105,600	0	105,600	59,700	1,200	166,500
S1997	Strategy & Governance Salaries	Neil Hawke	129,300	(41,000)	88,300	11,000	44,000	143,300
S1998	Planning Service Salaries	Helen Smart	1,385,200	92,200	1,477,400	216,100	(149,700)	1,543,800
S3001	Electoral Registration	Helen Jarvis	164,800	0	164,800	10,700	(5,500)	170,000
S3030	Staff Forum	Michelle Pierce	5,000	0	5,000	0	0	5,000
S3041	Communications & Media	Michelle Pierce	58,330	0	58,330	9,400	(300)	67,430
S3050	Democratic Representation & Management	Darryl White	311,754	0	311,754	0	0	311,754
S3051	Member Support & Democratic Services	Darryl White	121,700	0	121,700	15,700	14,800	152,200
S4004	Corporate Training & Occupational Health	Andy Wilson	38,900	0	38,900	0	(100)	38,800
S4005	Business Support Service Based Training	Andy Wilson	25,800	0	25,800	0	0	25,800
S4015	Specialists Service Based Training	Andy Wilson	29,500	0	29,500	0	0	29,500
S4041	Internal Audit	Neil Hawke	71,000	0	71,000	7,200	(6,000)	72,200
S4101	Legal Team Salaries	David Fairbairn	203,400	0	203,400	57,700	112,100	373,200
S4102	Design Team Salaries	Michelle Pierce	42,700	0	42,700	5,800	4,700	53,200
S4200	Insurance	Neil Hawke	313,740	0	313,740	0	0	313,740
S4511	Building Control Services	Pat Whymer	62,270	0	62,270	0	0	62,270
			2,019,894	51,200	2,071,094	398,800	15,700	2,485,594

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process

(**) 2022/23 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.

(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.

Cost Centre Code	Cost Centre Description	Budget Manager	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1003	Land Charges Salaries	Helen Smart						
	Expenditure							
	Employees		67,000		67,000	5,500	500	73,000
	Net Expenditure		67,000		67,000	5,500	500	73,000

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £5.5K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Cost Centre Code	Cost Centre Description	Budget Manager	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1020	Planning Applications and Advice	Pat Whymer						
	Expenditure							
	Supplies & Services		110,500		110,500	0	0	110,500
	Income							

Fees & Charges	(1,080,000)	(1,080,000)	0	0	(1,080,000)
Recharges	(3,600)	(3,600)	0	0	(3,600)
Net Expenditure	(973,100)	(973,100)	0	0	(973,100)

Local Land Charges	Pat Whymer	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1040	Expenditure						
	Supplies & Services	2,000		2,000	0	0	2,000
	Third Party Payments	25,000		25,000	0	0	25,000
	Income						
	Fees & Charges	(170,000)		(170,000)	0	0	(170,000)
	Net Expenditure	(143,000)		(143,000)	0	0	(143,000)

The salary costs of staff delivering these services are sat within the business support and specialist budgets. An appropriate allocation of these costs will be apportioned to this budget for staff costs

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Human Resources Team Salaries	Andy Wilson	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1996	Expenditure						
	Employees	148,800		148,800	59,700	800	209,300
	Supplies & Services	4,600		4,600	0	0	4,600
	Support Services	(2,800)		(2,800)	0	0	(2,800)
	Transport Related	1,000		1,000	0	0	1,000
	Income						
	Recharges	(46,000)		(46,000)	0	400	(45,600)
Net Expenditure	105,600		105,600	59,700	1,200	166,500	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £12.4K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Strategy & Governanace Salaries	Neil Hawke	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1997	Expenditure						
	Employees	209,400	(77,300)	132,100	11,000	39,700	182,800
	Transport Related	2,500	(2,500)	0	0	0	0
	Income						
	Recharges	(82,600)	38,800	(43,800)	0	4,300	(39,500)
Net Expenditure	129,300	(41,000)	88,300	11,000	44,000	143,300	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £11K

(**) This Virement aligns the salary costs with the management structure

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Planning Service Salaries	Helen Smart	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1998	Expenditure							
		Employees	1,686,600	125,500	1,812,100	216,100	74,600	2,102,800
		Transport Related	18,900		18,900	0	0	18,900
	Income							
		Recharges	(320,300)	(33,300)	(353,600)	0	(224,300)	(577,900)
	Net Expenditure	1,385,200	92,200	1,477,400	216,100	(149,700)	1,543,800	

(*) The MTFS adjustment relates mainly to the additional Planning staffing costs following the restructure of the Planning and Legal teams. In addition £151k relates to pay inflation and an increase to the pension rate.

(**) This Virement relates to a movement of salary costs to align the budget for posts with the service area they operate within

(***) This adjustment is required to align the pay inflation to the actual sum required to cover the payroll costs

	Electoral Registration	Helen Jarvis	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S3001	Expenditure							
		Employees	135,700		135,700	10,700	(5,500)	140,900
		Supplies & Services	30,500		30,500	0	0	30,500
		Transport Related	1,100		1,100	0	0	1,100
	Income							
	Sales	(2,500)		(2,500)	0	0	(2,500)	
	Net Expenditure	164,800		164,800	10,700	(5,500)	170,000	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £10.7K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Staff Forum	Michelle Pierce	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S3030	Expenditure							
		Supplies & Services	5,000		5,000	0	0	5,000
		Net Expenditure	5,000		5,000	0	0	5,000

	Communications & Media	Michelle Pierce	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S3041	Expenditure							
		Employees	112,500		112,500	9,400	8,800	130,700
		Supplies & Services	7,230		7,230	0	0	7,230
		Transport Related	300		300	0	0	300
	Income							
	Recharges	(61,700)		(61,700)	0	(9,100)	(70,800)	
	Net Expenditure	58,330		58,330	9,400	(300)	67,430	

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £9.4K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Democratic Representation & Management Darryl White		22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S3050	Expenditure						
	Supplies & Services	311,754		311,754	0	0	311,754
	Net Expenditure	311,754		311,754	0	0	311,754

Member Support & Democratic Services Darryl White		22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S3051	Expenditure						
	Employees	190,500		190,500	15,700	20,300	226,500
	Transport Related	1,300		1,300	0	0	1,300
	Income						
	Recharges	(70,100)		(70,100)	0	(5,500)	(75,600)
	Net Expenditure	121,700		121,700	15,700	14,800	152,200

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £15.7K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

Corporate Training & Occupational Health Andy Wilson		22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4004	Expenditure						
	Employees	40,700		40,700	0	0	40,700
	Income						
	Recharges	(1,800)		(1,800)	0	(100)	(1,900)
	Net Expenditure	38,900		38,900	0	(100)	38,800

Business Support Service Based Training Andy Wilson		22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4005	Expenditure						
	Employees	25,800		25,800	0	0	25,800
	Net Expenditure	25,800		25,800	0	0	25,800

Specialists Service Based Training Andy Wilson		22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4015	Expenditure						
	Employees	29,500		29,500	0	0	29,500

	Net Expenditure	29,500	29,500	0	0	29,500
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	Internal Audit	Neil Hawke	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4041	Expenditure							
		Employees	86,700		86,700	7,200	(1,100)	92,800
		Supplies & Services	18,700		18,700	0	0	18,700
		Transport Related	200		200	0	0	200
	Income							
		Recharges	(34,600)		(34,600)	0	(4,900)	(39,500)
		Net Expenditure	71,000		71,000	7,200	(6,000)	72,200

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £7.2K, plus £700 price inflation on internal audit contracts

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Legal Team Salaries	David Fairbairn	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4101	Expenditure							
		Employees	300,000		300,000	57,700	137,400	495,100
		Supplies & Services	7,000		7,000	0	0	7,000
		Transport Related	600		600	0	0	600
	Income							
		Recharges	(104,200)		(104,200)	0	(25,300)	(129,500)
		Net Expenditure	203,400		203,400	57,700	112,100	373,200

(*) The MTFS adjustment relates mainly to the additional Legal staffing costs following the restructure of the Planning and Legal teams. In addition £31k relates to pay inflation and an increase to the pension rate.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover the payroll costs

	Design Team Salaries	Michelle Pierce	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4102	Expenditure		71,000		71,000	5,800	(900)	75,900
		Employees	70,900		70,900	5,800	(900)	75,800
		Transport Related	100		100	0	0	100
	Income		(28,300)		(28,300)	0	5,600	(22,700)
		Recharges	(28,300)		(28,300)	0	5,600	(22,700)
		Net Expenditure	42,700		42,700	5,800	4,700	53,200

(*) The MTFS adjustment relates to pay inflation and an increase in the Pension rate, totalling £5.8K

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs

	Insurance	Neil Hawke	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
	Expenditure							

S4200	Employees	74,130	74,130	0	0	74,130
	Premises Related	67,570	67,570	0	0	67,570
	Transport Related	172,040	172,040	0	0	172,040
	Net Expenditure	313,740	313,740	0	0	313,740

	Building Control Services	Pat Whymer	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4511		Expenditure						
		Premises Related	4,470		4,470	0	0	4,470
		Third Party Payments	57,800		57,800	0	0	57,800
		Net Expenditure	62,270		62,270	0	0	62,270

South Hams District Council
Strategic Finance Budgets 2023/24

Cost Centre Code	Cost Centre Description	Budget Manager	22/23 Base Net Budget £'s	22/23 In Year Virements (**) £'s	Final Budget 22/23 £'s	23/24 MTFS Adjustments (*) £'s	23/24 Other Adjustments (***) £'s	Final Budget 23/24 £'s
S1001	Business Support Team Leader Salaries	Pauline Henstock	141,300	0	141,300	19,700	(161,000)	0
S1991	Finance Team Salaries	Pauline Henstock	230,500	0	230,500	25,100	204,600	460,200
S4009	Non Distributed Costs	Pauline Henstock	494,200	(25,000)	469,200	200,000	(270,000)	399,200
S4010	Inflation/Pension Provision	Pauline Henstock	0	0	0	0	0	0
S4150	Support Services Salaries	Pauline Henstock	373,800	0	373,800	31,600	(405,400)	0
S4160	Corporate Management	Pauline Henstock	159,800	0	159,800	75,000	0	234,800
S4199	Central Service Overheads	Pauline Henstock	74,100	0	74,100	0	0	74,100
S6040	Borrowing Costs	Pauline Henstock	777,423	0	777,423	0	0	777,423
S6050	Interest & Investment Income	Pauline Henstock	(123,000)	0	(123,000)	(677,000)	0	(800,000)
			2,128,123	(25,000)	2,103,123	(325,600)	(631,800)	1,145,723

(*) MTFS - Medium Term Financial Strategy, cost pressures and savings agreed as part of the budget process

(**) 2022/23 Virements - movements in budgets to better reflect where budget responsibility should be held, virements always net to zero.

(***) Other Adjustments = budget changes required to align expenditure & income to the current management structure, these adjustments net to zero.

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	Business Support Team Leaders	Pauline Henstock	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1001	Expenditure							
		Employees	236,300		236,300	19,700	(256,000)	0
		Transport Related	100		100	0	(100)	0
	Income							
		Recharges	(95,100)		(95,100)	0	95,100	0
		Net Expenditure	141,300		141,300	19,700	(161,000)	0

(*) The MTFS adjustment relates to pay inflation and an increase to the pension rate, totalling 10.2K.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs and reflect the current staffing structure

	Finance Team Salaries	Pauline Henstock	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S1991	Expenditure							
		Employees	301,500		301,500	25,100	324,100	650,700
		Supplies & Services	27,800		27,800	0	0	27,800
		Support Services	(3,400)		(3,400)	0	0	(3,400)
		Transport Related	800		800	0	800	1,600
	Income							
		Fees & Charges	0		0	0	(3,300)	(3,300)
	Recharges	(96,200)		(96,200)	0	(117,000)	(213,200)	
	Net Expenditure	230,500		230,500	25,100	204,600	460,200	

(*) The MTFS adjustment relates to pay inflation and an increase to the pension rate, totalling £25.1K.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs and reflect the current staffing structure

	Non Distributed Costs	Pauline Henstock	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4009		Expenditure						
		Corporate Items	295,000	(25,000)	270,000	0	(270,000)	0
		Employees	199,200		199,200	200,000	0	399,200
		Net Expenditure	494,200	(25,000)	469,200	200,000	(270,000)	399,200

(*) The MTFS adjustment relates to Salary increases for increments & pay grading, totalling £200K. This amount will be allocated to services during 2023/24.

(**) This Virement aligns salary costs with the management structure.

(***) The budgets for waste have been realigned to reflect the fact that the waste and cleansing service has been delivered in house from October 2022. This previous budget was pension fund contributions for the closed scheme when the service was outsourced.

	Support Services Salaries	Pauline Henstock	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4150		Expenditure						
		Employees	380,500		380,500	31,600	(412,100)	0
		Supplies & Services	138,200		138,200	0	(138,200)	0
		Transport Related	800		800	0	(800)	0
		Income						
		Fees & Charges	(3,300)		(3,300)	0	3,300	0
	Recharges	(142,400)		(142,400)	0	142,400	0	
	Net Expenditure	373,800		373,800	31,600	(405,400)	0	

(*) The MTFS adjustment relates to pay inflation and an increase to the pension rate, totalling £31.6K.

(***) This adjustment is required to align the pay inflation to the actual sum required to cover an increase in payroll costs and reflect the current staffing structure

	Corporate Management	Pauline Henstock	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4160		Expenditure						
		Employees	30,000		30,000	0	0	30,000
		Supplies & Services	139,800		139,800	75,000	0	214,800
		Income						
	Recharges	(10,000)		(10,000)	0	0	(10,000)	
	Net Expenditure	159,800		159,800	75,000	0	234,800	

(*) The MTFS adjustment relates to increases in External Audit fees

	Central Service Overheads	Pauline Henstock	22/23 Base Net Budget	22/23 In Year Virements (**)	22/23 Final Budget	23/24 MTFS Adjustments (*)	Other Adjustments (***)	Approved Net Budget 23/24
S4199		Expenditure						
		Employees	23,400		23,400	0	0	23,400
		Supplies & Services	50,700	0	50,700	0	0	50,700
	Net Expenditure	74,100		74,100	0	0	74,100	

S6040	Borrowing Costs	Pauline Henstock	22/23 Base Net	22/23 In Year	22/23 Final	23/24 MTFS	Other	Approved Net
			Budget	Virements (**)	Budget	Adjustments (*)	Adjustments (***)	Budget 23/24
		Expenditure						
		Depreciation Impairment Losses	777,423		777,423	0	0	777,423
		Net Expenditure	777,423		777,423	0	0	777,423

S6050	Interest & Investment Income	Pauline Henstock	22/23 Base Net	22/23 In Year	22/23 Final	23/24 MTFS	Other	Approved Net
			Budget	Virements (**)	Budget	Adjustments (*)	Adjustments (***)	Budget 23/24
		Income						
		Interest	(123,000)		(123,000)	(677,000)	0	(800,000)
		Net Expenditure	(123,000)		(123,000)	(677,000)	0	(800,000)

(*) The MTFS adjustment relates to additional Treasury Management income on the Council's investments.

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Report to: **Audit and Governance Committee**
Date: **9 March 2023**
Title: **Shared Services Methodology 2022/23**
Portfolio Area: **Finance and Assets – Cllr H Bastone**
Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Pauline Henstock** Role: **Head of Finance Practice**

Contact: **Email:** pauline.henstock@swdevon.gov.uk

Tel: 01803 861377

Recommendation:

- 1. That the Audit and Governance Committee notes the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council for 2022/23, as attached in Appendix A.**

1. Executive summary

- 1.1** The methodology for the apportionment of costs (predominantly staffing costs) between South Hams District Council and West Devon Borough Council is set out in the attached Appendix. The staffing costs of a particular service team are split on a defined basis as set out. The split of costs reflects the level of caseload which is attributable to each Council's individual service.

2. Background

- 2.1 This report is the annual report to the Audit and Governance Committee which sets out the methodology and mechanisms that are being used to calculate the cost allocations between the two Councils.
- 2.2 South Hams District Council and West Devon Borough Council have been shared service partners since 2007. The Councils have a shared non-manual workforce.
- 2.3 Appendix A sets out the methodology and the percentage on which staff costs and other related costs for each service are split between South Hams District Council and West Devon Borough Council. The caseload statistics are the actual caseloads for each service mainly for the period April 2022 to the end of December 2022 (9 months).
- 2.4 The final actual shared services split formulae have only been adjusted if they exceed a tolerance level of 3% from the original estimate of the shared services split. Anything where the difference between the actual and the estimate is 3% or below has not been changed.

3. Outcomes/outputs

- 3.1 The review of shared services splits will create **additional staffing costs for South Hams of £85,500 in 2022/23** which equates to 1.1% of the Council's total salary budget. This mainly reflects the changes in the apportionment of staff salaries from bringing the waste service back in house from 3 October 2022.
- 3.2 There has been a higher allocation of salary costs to South Hams in 2022/23 from the service areas of waste, senior leadership team time, the HR team, the finance team (additional payroll and payment of invoices), the legal team and the design team. Some of this cost is a one-off cost in 2022/23 associated with bringing the waste service back in house in October 2022.
- 3.3 There has been a lower recharge to South Hams for the apportionment of staff salaries from planning enforcement and environmental health (Disabled facilities grants) in 2022/23 due to the caseloads that have been dealt with in each Council area. West Devon will therefore incur a higher salary cost apportionment in these two service areas.

3.4 The net impact is an additional staffing cost being recharged for 2022/23 to South Hams of £85,500. This is 1.1% of the Council's total salary budget.

3.5 Most service areas remain unchanged or below the tolerance level set at 3%. Details of all the allocations and the methodologies used are set out in Appendix A.

4. Options available and consideration of risk

4.1 Our external auditors, Grant Thornton have identified the sharing of costs between South Hams District Council and West Devon Borough Council as a key risk area. On an annual basis, Grant Thornton review the shared services allocations to ensure they are reasonable and appropriate, consider any changes from the prior year basis, test the calculations of transferred costs, and confirm that their work has not identified any issues with the allocation of shared costs.

5. Proposed Way Forward

5.1 Shared service allocations and the methodologies used are reviewed on an annual basis. Further reports will be brought to the Audit and Governance Committee.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to maintain adequate governance and financial arrangements to ensure a fair allocation of shared costs is absorbed by each individual Council.
Financial implications to include reference to value for money	Y	The review of shared services splits will create additional staffing costs for South Hams of £85,500 in 2022/23 which equates to 1.1% of the Council's total salary budget. This mainly reflects the changes in salary apportionment from bringing the waste service back in house from 3 October 2022.

Risk	Y	The allocation of shared costs is identified by Grant Thornton as one of the key financial statement audit risks. On an annual basis, Grant Thornton review the shared services allocations to ensure they are reasonable and appropriate and confirm that their work has not identified any issues with the allocation of shared costs. Grant Thornton will continue to carry out testing on the 2022/23 shared services allocations as part of the Final Accounts Audit.
Supporting Corporate Strategy		The apportionment of shared service costs supports all of the Delivery Plans within the Council's strategic vision, 'Better Lives for All'.
Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.
Other implications	N	None directly arising from this report.

Appendices

Appendix A – List of shared service apportionments for 2022/23

Shared Services Allocations of costs for the Financial Year 2022/2023

Appendix A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Governance & Assurance			
Member Services	50%/50%	Equal due to the nature of the work	N/A
Planning Applications* Planning Enforcement (see note 7)	75%/25% 71%/29%	Planning applications Planning Enforcement cases	South Hams – 2,125 West Devon - 806 South Hams - 372 West Devon - 150
Legal CoP (see note 9)	70%/30%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
HR CoP (see note 3)	82%/18% with effect from 3 October 2022 (previously 74%/26%)	Permanent posts on the establishment December 2022 (this relates to the number of persons employed not the number of FTEs).	South Hams – 512 West Devon – 110
Internal Audit*	62%/38%	Time recording of productive time only	Each role is assessed
Communications & Media	50%/50%	Time allocation	N/A
Design CoP (see note 8)	70%/30%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Customer Service & Delivery			
Waste (see note 1)	100%/0% 80%/20% 70%/30% 60%/40%	Dependent on specific activity.	Each role is assessed individually
Customer Contact Centre*	66%/34%	Number of calls to the Customer Contact Centre April 2022 – Dec 2022	South Hams – 60,924 West Devon – 27,820
Digital Mailroom	70%/30%	Time allocation	N/A
Business Support Managers and Team Leaders	50%/50%	Time allocation	N/A – reflects managerial element of roles

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Housing Benefits*	60%/40%	<p>Housing Benefit new claims processed</p> <p>Change of circumstances processed</p>	<p><u>New claims:</u> South Hams - 251 West Devon - 171</p> <p><u>Change of circs:</u> South Hams – 2,082 West Devon – 1,212</p>
Council Tax	63%/37%	Council Tax rated properties (Valuation office list as at 28 December 2022)	South Hams – 46,206 West Devon – 26,764
Business Rates	63%/37%	Number of Hereditaments in the Business Rates Rating List as at 28 December 2022. The number of hereditaments is an indicator, but an assessment of workload is used for the apportionments	South Hams – 6,454 West Devon – 2,457
ICT Infrastructure team	50%/50%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
ICT Helpdesk team	60%/40%	Time allocation	N/A
Place & Enterprise			
Economy	50%/50%	Equal due to the nature of the work	N/A
Assets*	69%/31%	Balance Sheet Assets in each Council's Accounts. The Balance Sheet values at 31 March 2022 are an indicator, but an assessment of workload is also used for the apportionments.	South Hams £99million West Devon £47million
Leisure	67%/33%	Number of Leisure Centres	South Hams - 4 West Devon – 2
Facilities	50%/50%	Time allocation	N/A

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Environmental Health CoP – various apportionments	Main team allocation 60%/40%	Various depending on their work	Various depending on their work
	Disabled Facility Grants work (55%/45%) (see note 6)	Disabled Facility Grant/Regulatory Reform Order Grant cases completed	South Hams – 160 West Devon - 129
	Licensing (50%/50%)	Policy Work	N/A
Housing CoP – various apportionments*	Housing caseload data 60%/40%	Number of contacts Number of housing preventions Numbers on the housing register Number of Direct Lets	South Hams - 452 West Devon - 241 South Hams - 136 West Devon - 65 South Hams – 1,495 West Devon – 952 South Hams - 33 West Devon - 11

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Strategic Finance			
Finance CoP	60%/40%	Time allocation	N/A
Finance Business Support (see note 4)	65%/35% with effect from 3 October 2022 (previously 60%/40%)	Time allocation	N/A
Assistant Directors and Heads of Service (see notes 1, 3 and 5)	Various splits of individual posts, most either 50%/50% or 60%/40%	Time allocation	Each role is assessed
Senior Leadership Team (see note 2)	50%/50% apart from the the Director of Customer Service and Delivery who is 75%/25%.	Time allocation	Each role is assessed

* Areas of change below the 3% threshold

Areas of change from 2021/22:

1. **Waste** – each Waste role, including the Assistant Director for Waste and Operations has been reviewed individually for 2022/23 and some of the apportionments have changed with a higher allocation to South Hams due to bringing the waste service back in house from 3 October 2022.
2. **Senior Leadership Team** – the Director of Customer Service and Delivery has allocated more time to South Hams in 2022/23 following the changes in the waste service. His shared services split has moved from 50%:50% to 75%:25%.
3. **HR CoP** – from 3 October 2022 the shared services split has moved from 74%:26% to 82%:18% for the HR team including the Head of HR. Their apportionment is based on the number of permanent posts on the establishment and the movement reflects the additional waste staff in South Hams from 3 October 2022.
4. **Finance Business Support** - from 3 October 2022 the shared services split has moved from 60%:40% to 65%:35%. This reflects the additional finance business support work generated from bringing the waste service back in house which includes additional payroll work and payment of invoices.
5. **Assistant Directors and Heads of Service** - the majority of the Heads of Service allocations have remained the same for 2022/23 (mainly 50%:50% or 60%:40% South Hams/West Devon) apart from those detailed above. However, the time allocation for the Head of Legal Practice has been revised as a one off for 2022/23 from 60%:40% to 75%:25% South Hams/West Devon, to reflect the additional work in South Hams.

6. **Environmental Health (Disabled Facilities Grants)** – the shared services split for 2022/23 has been revised from 59%:41% to 55%:45% based on the number of completed applications.
7. **Planning Enforcement** - the shared services split for 2022/23 has been revised from 76%:24% to 71%:29% based on the number of planning enforcement cases.
8. **Design CoP** - the time allocation for the design team has been revised for 2022/23 from 60%:40% to 70%:30%, to reflect the additional work in South Hams.
9. **Legal CoP** - the time allocation for the legal team has been revised for 2022/23 from 60%:40% to 70%:30%, to reflect the additional legal work in South Hams.

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Report to: **Audit and Governance Committee**
Date: **9 March 2023**
Title: **Treasury Management Mid-Year Review**
Portfolio Area: **Cllr H Bastone – Finance and Assets**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**
Date next steps can be taken: **N/A**

Author: **Clare Scotton** Role: **Principal Accountant**

Contact: **01803 861559** clare.scotton@swdevon.gov.uk

RECOMMENDATION:

It is RECOMMENDED that the Audit Committee resolves to endorse the contents of the report.

1. Executive summary

1.1 As at 30 September 2022, the Council underperformed against the industry benchmark by 0.05%. The Council achieved a rate of return of 1.14%, against the Sterling Overnight Interbank Average (SONIA) rate of 1.19% at the mid-year point. The Council's budget for investment interest in 2022/23 is £123,000. The current forecast is £1,000,000 which will exceed the budget by £877,000 and therefore the year end position is looking very healthy against budgeted income levels.

2. Background

2.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

2.2 The second main function of the treasury management service is the funding of 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 operations.

This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

2.3 Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.4 The Council’s Finance Procedure Rules require that a report be taken to the Audit Committee three times a year on Treasury Management. The specific reporting requirements are:

- An annual treasury strategy in advance of the year (Council 31/03/2022 – 76/21)
- A mid-year (minimum) treasury update report (This report)
- An annual review following the end of the year describing the activity compared to the strategy

2.5 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members be updated on treasury management activities regularly (i.e. Treasury Management Strategy Statement (TMSS), annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

3. Interest Rates

Interest Rate Forecast

3.1 The Council’s treasury advisor, Link Group, has provided the following forecast.

Link Group Interest Rate View		07.02.23											
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

3.2 The Bank Rate stands at 4.0% currently but as shown in the forecast table above, it is expected to reach a peak of 4.5% during the first half of 2023.

3.3 Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

3.4 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

3.5 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

3.6 **PWLB rates** – The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.60%.

4. Treasury Management Strategy Statement

4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, was approved by the Council on 31/03/22 – 76/21. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

4.2 The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

4.3 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. Investment Portfolio 2022/23

5.1 The Council held £54.116m of investments as at 30 September 2022 (£56.52m at 31 March 2022) and the investment portfolio yield for the first six months of the year is 1.14% against a benchmark (SONIA rate) of 1.19%. The £54.116m of investments is made up of Money Market Funds, Fixed Term Deposits and Property Funds.

A full list of investments held as at 30 September 2022 is shown below:

Money Market Funds

Amount £	Investment	Average Interest rate
6,000,000	Aberdeen Standard Investments	1.16%
4,900,000	BlackRock ICS-Inst GBP	1.16%
6,000,000	LGIM Sterling Liquidity Fund	1.08%
16,900,000	Total Money Market Funds	

The Council currently has three Money Market Funds. The money market funds allow immediate access to the Council's funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions.

Fixed Term Deposits – Current

Counterparty	Fixed to	£	Interest Rate
Barclays Banks Plc	19/10/2022	3,500,000	1.06%
Barclays Banks Plc	18/01/2023	2,500,000	2.00%
Standard Chartered	06/01/2023	6,000,000	2.12%
Lloyds Bank Plc	31/03/2023	6,000,000	4.28%
Debt Management Office	24/11/2022	4,700,000	1.55%
Debt Management Office	20/10/2022	3,000,000	1.75%
Debt Management Office	20/10/2022	1,400,000	1.89%
Debt Management Office	04/01/2023	4,000,000	2.45%
Debt Management Office	20/10/2022	2,500,000	1.97%
Total Fixed Term Deposits		33,600,000	

5.2 The Council's Investments mid-way through the year are always higher than at the end of the year (at 31st March) due to the cash flow advantage that the Council benefits from part way through the year.

This is, in part, due to the timing differences between the Council collecting council tax income and paying this over to major precepting authorities such as Devon County Council, the Police and the Fire Authority

The Council's current counterparty limit is £6 million (£7 million for Lloyds plc).

Property Funds

Amount £	Investment	Dividend Yield
1,572,857	CCLA – Property Fund	3.25%
2,032,292	CCLA – Diversified Income Fund	2.39%
3,605,149	Total Property Funds	

5.3 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2022/23.

5.4 The Council’s budgeted investment return for 2022/23 is £123,000 and based on performance for the year to date, this is expected to be exceeded by £877,000.

Investment Counterparty Criteria

5.5 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Borrowing Position

5.6 The Council’s capital financing requirement (CFR) for 2022/23 is £19.6million. The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

A summary of the Council’s debt position at 30 September 2022 compared with 31 March 2021 is shown in the table below:

Lender	Maturity	Interest Rate %	Principal held at 31 March 2022	Principal held at 30 Sept 2022
			£’000	£’000
PWLB – Maturity Borrowed in May 2018 (23 maturity loans)	5-19 Years	2.41*	5,490	5,490
PWLB – Annuity Borrowed in September 2019	50 Years	1.97	3,879	3,854
PWLB – Annuity Borrowed in December 2019	50 Years	3.09	5,011	4,988
Total			14,380	14,332

*Average interest rate

5.7 Local Authorities are required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. This is updated on at least an annual basis. In March of each year, Council approves its Capital Strategy, Investment Strategy and Treasury Management Strategy. PWLB borrowing is permitted in the future for the four categories of regeneration, service delivery, housing and refinancing.

Debt Rescheduling

5.8 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

6. Outcomes/outputs

6.1 Industry performance is judged and monitored by reference to a standard benchmark; this is the Sterling Overnight Interbank Average rate (SONIA). The average SONIA rate at the end of September was 1.19% which is 0.05% higher than our average return of 1.14% as at 30 September 2022. This is the mid year position.

6.2 The Council's budget for investment interest of £123,000 for 2022/23 is expected to be exceeded. A forecast of £1,000,000 will exceed this budget by £877,000. Therefore the end of year position is looking healthy against budgeted income targets.

7. Options available and consideration of risk

7.1 The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating is required, together with a limit of £6m per counterparty. This has resulted in only a small number of institutions in which the Council can invest (see Appendix A).

7.2 The Council's treasury management activities and interest rates are reviewed daily to ensure cash flow is adequately planned with surplus funds being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

7.3 The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy will be brought to Members' attention in treasury management update reports.

8. Proposed Way Forward

8.1 The Council's treasury activities and interest rates will continue to be monitored daily and appropriate action taken to mitigate risk whilst optimising investment return where possible.

9. Compliance with Treasury Limits and Prudential Indicators

9.1 During the financial year the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The Council's Prudential Indicators for 2022/23 are detailed and shown in Appendix B.

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Statutory Powers that apply to this report are the Local Government Act 1972 Section 151 and the Local Government Act 2003.
Financial implications to include reference to value for money	Y	To date, the Council has underperformed the industry benchmark by 0.05% at the mid year point. The Council has achieved a rate of return of 1.14%, against the Sterling Overnight Interbank Average rate (SONIA) of 1.19%. However the end of year position is looking very healthy against budgeted income forecasts. The Council's budget for investment interest of £123,000 for 2022/23 is expected to be exceeded. A forecast of £1,000,000 will exceed this budget by £877,000.
Risk		The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines. The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive through the quarterly budget monitoring reports.

Supporting Corporate Strategy		The treasury management function supports all of the Thematic Delivery Plans within 'Better Lives for all'.
Climate Change – Carbon/Biodiversity Impact		No direct carbon/biodiversity impact arising from the recommendations.
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Lending list as at 30th September 2022

Appendix B – Prudential and Treasury Indicators 2022/23

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	N/A

APPENDIX A

Counterparty as at 30th Sept 2022		Fitch Rating				Moody's Ratings			S&P Ratings			Suggested Duration			
		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term				
United Kingdom															
AAA Rated and Government Backed Securities	Collateralised LA Deposit*											Y - 60 mths			
	Debt Management Office											Y - 60 mths			
	Multilateral Development Banks											Y - 60 mths			
	Supranationals											Y - 60 mths			
	UK Gilts											Y - 60 mths			
													Y - 60 mths		
	Al Rayan Bank PLC						SB	A1		P-1			R - 6 mths		
	Bank of Scotland PLC (RFB)	SB	A+	F1	a		WD	SB	A1		P-1	SB	A+	A-1	R - 6 mths
	Barclays Bank PLC (NRFB)	SB	A+	F1	a		WD	SB	A1		P-1	PO	A	A-1	R - 6 mths
	Barclays Bank UK PLC (RFB)	SB	A+	F1	a		WD	SB	A1		P-1	PO	A	A-1	R - 6 mths
	Close Brothers Ltd	SB	A-	F2	a-		WD	NO	Aa3		P-1				R - 6 mths
	Clydesdale Bank PLC	SB	A-	F2	bbb+		WD	SB	A3		P-2	SB	A-	A-2	G - 100 days
	Co-operative Bank PLC (The)	SB	B+	B	b		WD	SB	Ba2		NP				N/C - O mths
	Goldman Sachs International Bank	SB	A+	F1			WD	SB	A1		P-1	SB	A+	A-1	R - 6 mths
	Handelsbanken Plc	SB	AA	F1+			WD					SB	AA-	A-1+	O - 12 mths
	HSBC Bank PLC (NRFB)	SB	AA-	F1+	a		WD	SB	A1		P-1	SB	A+	A-1	O - 12 mths
	HSBC UK Bank Plc (RFB)	SB	AA-	F1+	a		WD	SB	A1		P-1	SB	A+	A-1	O - 12 mths
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A+	F1			WD	SB	A1		P-1	SB	A	A-1	R - 6 mths
	Lloyds Bank Plc (RFB)	SB	A+	F1	a		WD	SB	A1		P-1	SB	A+	A-1	R - 6 mths
	National Bank of Kuwait (International) PLC	SB	A+	F1			WD					SB	A	A-1	R - 6 mths
	NatWest Markets Plc (NRFB)	SB	A+	F1	WD		WD	SB	A1		P-1	SB	A-	A-2	R - 6 mths
	Santander Financial Services Plc (NRFB)	SB	A+	F1			WD	SB	A1		P-1	SB	A-	A-2	R - 6 mths
	Santander UK PLC	SB	A+	F1	a		WD	SB	A1		P-1	SB	A	A-1	R - 6 mths
	SMBC Bank International PLC	NO	A	F1			WD	SB	A1		P-1	SB	A	A-1	R - 6 mths
	Standard Chartered Bank	SB	A+	F1	a		WD	SB	A1		P-1	SB	A+	A-1	R - 6 mths
	Building Societies	Coventry Building Society	SB	A-	F1	a-		WD	SB	A2		P-1			
Leeds Building Society		SB	A-	F1	a-		WD	SB	A3		P-2				G - 100 days
Nationwide Building Society		SB	A	F1	a		WD	SB	A1		P-1	SB	A+	A-1	R - 6 mths
Principality Building Society		SB	BBB+	F2	bbb+		WD	SB	Baa2		P-2				N/C - O mths
Skipton Building Society		SB	A-	F1	a-		WD	SB	A2		P-1				R - 6 mths
West Bromwich Building Society								SB	Ba3		NP				N/C - O mths
Yorkshire Building Society		SB	A-	F1	a-		WD	SB	A3		P-2				G - 100 days
Nationalised and Part Nationalised Banks	National Westminster Bank PLC (RFB)	SB	A+	F1	a		WD	SB	A1		P-1	SB	A	A-1	B - 12 mths
	Royal Bank of Scotland Group Plc (RFB)	SB	A+	F1	a		WD	SB	A1		P-1	SB	A	A-1	B - 12 mths

Key	
Watches and Outlooks	Duration
SB Stable Outlook	Yellow - Y 60 Months
NO Negative Outlook	Blue - B 12 Months
NW Negative Watch	Orange - O 12 Months
PO Positive Outlook	Red - R 6 Months
PW Positive Watch	Green - G 100 Days
EO Evolving Outlook	
EW Evolving Watch	

APPENDIX B

PRUDENTIAL AND TREASURY INDICATORS 2022/23

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

Capital Expenditure

This prudential Indicator is a summary of the Council's capital expenditure.

	2021/22 Actual £000	*2022/23 Budget £000	2022/23 Estimate £000
General Fund services	3,991	18,649	10,669
TOTAL	3,991	18,649	10,669

*The 2022/23 original Budgeted figures contained all of the approved Capital Budgets for all of the capital projects. These capital budgets have now been profiled into the financial years in which expenditure is expected to happen. This is the reason that the estimated 22/23 figure of £10.669 million is lower than the budgeted amount as some of this expenditure will happen in 23/24 onwards.

The table below summarises the financing of the Council's capital programme.

	2021/22 Actual £000	*2022/23 Budget £000	2022/23 Estimate £000
External sources	1,156	3,198	2,656
Own resources	1,815	3,857	1,494
Debt	1,020	11,594	6,519
TOTAL	3,991	18,649	10,669

The Council's Borrowing Need (the Capital Financing Requirement)

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	2021/22 Actual £000	2022/23 Budget £000	2022/23 Estimate £000
General Fund services	13,536	24,634	19,568
TOTAL CFR	13,536	31,159	19,568

The Council's Gross Debt and the Capital Financing Requirement

Statutory guidance states that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the indicator below, the debt is lower than the CFR by £5.28m in the forecast for 2022/23.

	2021/22 Actual £000	2022/23 Budget £000	2022/23 Estimate £000
Debt	14,380	22,862	14,284
Capital Financing Requirement	13,536	24,634	19,568

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans.

These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2021/22 Actual	2022/23 Budget	2022/23* Estimate
Financing costs (£m)	711,914	727,602	(257,136)
Proportion of net revenue stream	7.2%	6.9%	(2.5%)

* the financing costs are a net income stream in 22/23 due the level of projected treasury management income

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2021/22	2022/23
	£	£
Borrowing	70,000,000	50,000,000
Other long term liabilities	-	-
Total	70,000,000	50,000,000

Note: In the Treasury Management Strategy statement for 2023/24, the Operational Boundary is recommended to be reduced to £35million for 23/24.

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit 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 in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2021/22	2022/23
	£	£
Borrowing	75,000,000	75,000,000
Other long term liabilities	-	-
Total	75,000,000	75,000,000

South Hams District Council's current level of borrowing as at 30 September 2022 was £14.33 million (as per 5.6).

As part of the Medium Term Financial Strategy, Members approved an overall Borrowing Limit of £75 million.

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South Hams
District Council

Strategic Risk Register

March 2023 Update

Audit & Governance Committee 9th March 2023



Better lives for all

Introduction

What Do we mean by Risk?

Risk is unavoidable in any organisation. It is ever present and a certain amount of risk-acceptance is inevitable if we are to achieve our objectives of our Better Lives for All Strategy.

What Is Risk Management?

Successful Risk Management is an essential part of delivering good governance across the Council and reduces the uncertainty of achieving our ambitions (as set out in Better Lives for All).

It is about adopting a planned and systematic approach to identifying, evaluating and controlling the things that will prevent us delivering on our priorities.

How does Risk Management fit in to our business planning?

Effectively identifying and managing risks will support the Council in acting in the best interests of our residents, businesses and communities through the ever changing environment of local government.

It is the 5th step in our Performance Management Framework



Step 5: Risk Management
Identify risks that may prevent us delivering our vision and how we will mitigate them

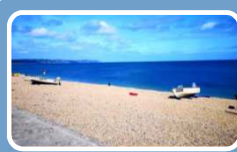


Our Risk Management Objectives

We have 6 key objectives that guide our approach to Risk Management

1. Adopt a strategic approach to risk management in order to make well informed decisions
2. Integrate risk management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management
6. Ensure that risk management continues to be a key and effective element of our Corporate Governance

Benefits of Effective Risk Management



Improved Strategic Management

- Greater Ability to deliver against our corporate objectives and targets
- Improved decision making, planning and prioritisation



Improved Operational Management

- Plans in place to response to incidents when they occur
- Better service delivery



Improved Financial Management

- Better informed financial decision making
- Greater financial control
- Minimising waste and improving Value for Money



Improved Customer Service

Service disruption to customer minimized



Our Risk Management Process

Identification of risks, deciding what action to take to minimise the risk and assessing how successfully we did it is an activity that we are all doing constantly in our personal lives. The same approach is applied by the Council in assessing risks to our priorities and services.

To do this we follow a 5 step approach



Our Risk Management Scoring

Likelihood
How possible is it that the risk will occur?

#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - Could occur	25-50%	May happen occasionally, e.g. Once in 10 years
4 – Likely	Likely - Most likely will occur	50-80%	Will probably happen, but not a persistent issue e.g. Once in 3 years. Has happened in the past.
5 – Almost Certain	Almost certainly will occur	80-100%	Will undoubtedly happen, possibly frequently e.g. Annually or more frequently. Imminent/near miss.

Impact
If the risk does occur, what is the impact?

#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	Not reportable to regulator/Ombudsman, simple fix	Minor first aid required	Isolated staff dissatisfaction
2 – Minor Risk	Financial loss of between £10k & £100k	Drop in performance or delays to a service area or sustained loss of access routes for services	Local or 'industry' interest, single story over multiple news outlets	Reportable to regulator/Ombudsman, no or little follow up needed	Minor injuries to employees or third parties	Pockets of staff morale problems and increased turnover
3 – Moderate Risk	Financial loss of between £100k & £500k	Drop in performance or delays to delivering a wide range of services	Short term negative media exposure	Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution	Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit	General staff morale problems and increased turnover
4 – Major Risk	Financial loss of between £500k & £1Mill	Major drop in performance or inability to deliver discretionary services	Sustained negative media coverage, or South West or 'affected industry' publication exposure	Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc.	Limited hospital care required for employees or third parties	Widespread morale problems and high turnover. Not perceived as employer of choice
5 – Catastrophic	Financial loss of over £1Mill	Major drop in performance or inability to deliver mandatory services	Long term negative media coverage, or national media exposure	Significant prosecution or fines, incarceration of directors	Significant injuries or fatalities to employees or third parties	Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

To calculate the overall risk score, we multiply the likelihood by the highest impact category score.

Our Risk Management Treatment

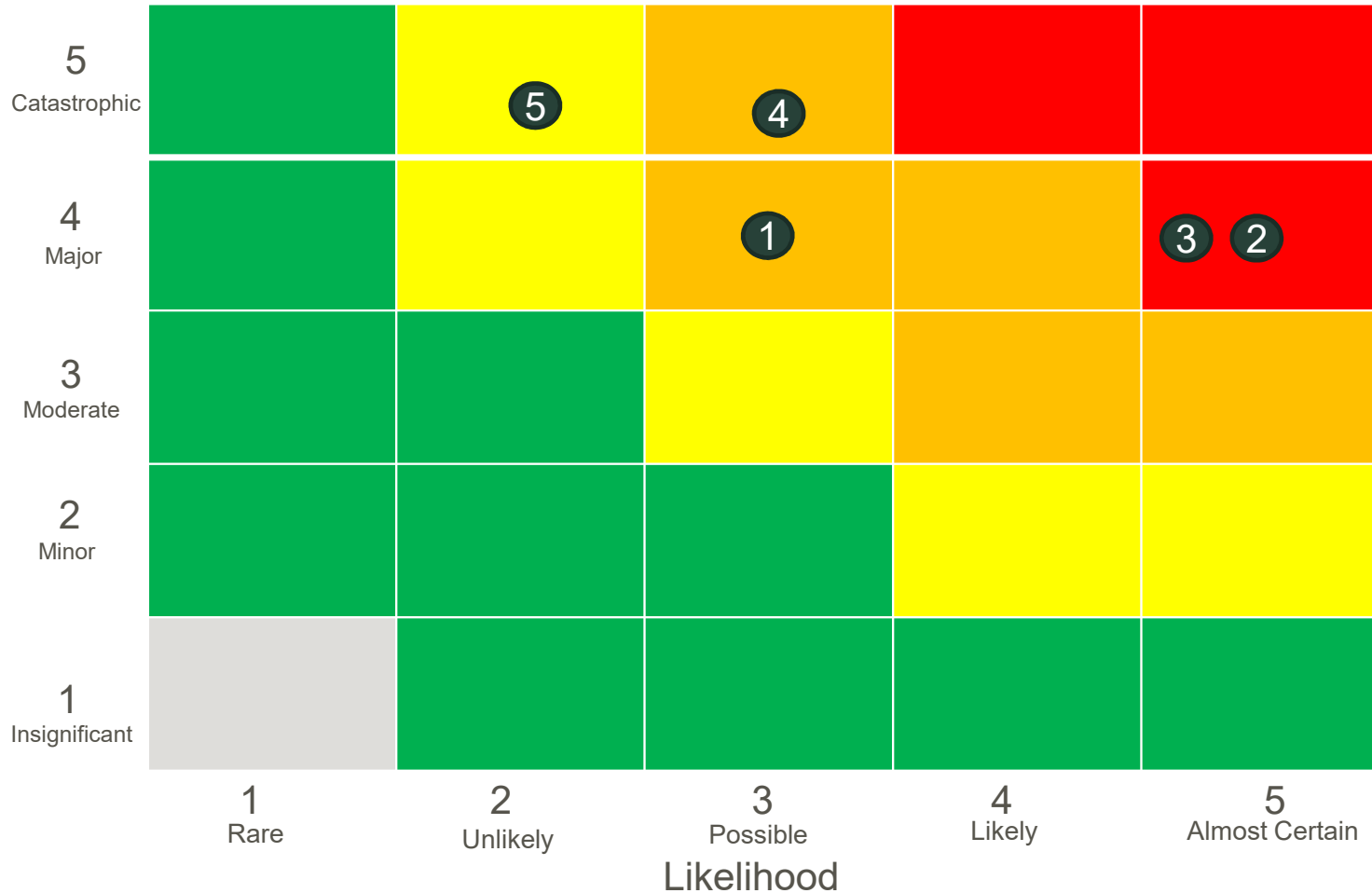
Page 178
Impact

5 Catastrophic				<i>Must be managed down urgently</i>	<p><u>Must be managed down urgently</u> These risks will be the subject to regular monitoring and action by Lead Members and the Senior Leadership Team. Significant Management action is required</p> <p><u>Influence down in medium term</u> These will be regularly monitored by the relevant Director and Head of Service with plans developed to reduce the risk in the medium term.</p> <p><u>Monitor and Manage</u> These will be monitored by Heads of Service and plans developed to reduce the risk and prevent escalation</p> <p><u>Accept</u> These will be monitored however on the whole the risk level is deemed acceptable with normal managing of the activity</p>
4 Major			<i>Seek to influence short to medium term reduction</i>		
3 Moderate		<i>Monitor & Manage to influence a reduction</i>			
2 Minor	<i>Accept – continue to monitor</i>				
1 Insignificant	<i>Close as a Strategic Risk</i>				
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
	Likelihood				



Summary of Strategic Risks March 2023

Impact
Page 179



X Current Period Score

Risk Title

- Adherence to Medium Term Financial Strategy
- Inadequate Staffing Resource
- Health and Wellbeing Service Provision
- Business Continuity
- Delivery of Waste and Recycling Service

Removed since last update:-

- Cost of Living Impacts
- Homes for Ukraine Placements



South Hams
District Council



Better lives for all

Risk Title: Adherence to Medium Term Financial Strategy

Overall Scoring

What is the risk? Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFS, particularly if national/regional businesses successfully appeal against business rate valuations or litigation proceedings / legal challenges / planning appeals, etc.

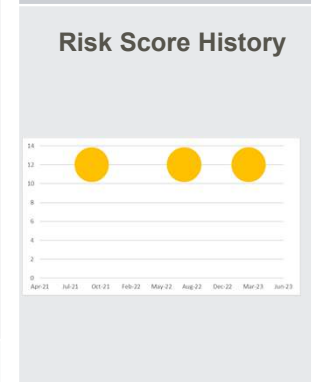
Risk Score (Current)



What could cause the risk to occur? Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. a reduction in sales, fees and charges income or business rate appeals. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn, the effects of the pandemic and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area.

Likelihood 3 x Impact 4

Risk Scoring Page 180	Likelihood of risk occurring		3 (Possible)	<p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable e.g. New Homes Bonus. SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS.
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	2 (Minor)	



Current Update (March 2023)
 The Executive considered the Medium Term Financial Strategy for the Council in September 2022. The Council has continued to work in partnership with West Devon Borough Council which has allowed South Hams to achieve annual savings of £3.9 million and more importantly protect all front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.

We had expected a longer term financial settlement to be made in December 2022 however Government again made only a single year settlement but with a commitment for consultation on further funding reforms to come forward during 2023.

As at the update to Executive in March 2023, the Council is forecasting a budget surplus for the current (22/23) financial year of £127,000 – or 1.2% of our annual budget.

In February 2023, Full Council considered the proposals for a balanced budget for 2023/24

Risk Direction

Risk Title: Inadequate Staffing Resource

Overall Scoring

What is the risk? The risk is that the Council fails to have the right culture, organisational conditions or resources to deliver our priorities for our communities. Insufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.

Risk Score (Current)

20

Likelihood 5 x Impact 4

What could cause the risk to occur? The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery. This has been a sustained period of the council delivering additional support and services and is likely to continue in to the short-medium term.

Risk Scoring	Likelihood of risk occurring		5 (Almost Certain)	<p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> Continuing to review services and update service plans to ensure that we can meet future demand Reviewing our recruitment campaigns – ensuring that they are effective and targeted Filling key roles with temporary resource to ensure services can continue to be delivered effectively while we progress with the recruitment of permanent employees Developing plans for ‘grow our own’ talent Identifying local recruitment events with a view to attending and highlighting roles available within the Council Assessing the ‘offer’ to employees with other similar organisations
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	4 (Major)	



Current Update (March 2023) The Council currently continues to experience recruitment and retention challenges. In February 2022, the Council introduced a market supplement policy that enables an enhancement to be made to the salary of certain roles in accordance with specified qualifying criteria. All enhancements are initially for a period of 2 years and are kept under review. The Council also undertook a job evaluation exercise on all principal professional and technical roles (level 4) and, with a new criterion that looked at the difficulty in attracting candidates for vacant roles and retaining existing employees. As a result, it is proposed to implement a new pay band for senior, professional and technical roles (level 4B) and slight changes at the top of the salary range for senior and principal officers at Levels 5 and above. A report on this matter will be considered by Executive on 2nd March 2023.

The recent staff survey, while reasonably positive, highlighted employees had particular concerns around pay. The changes to pay and grading identified above are also intended to demonstrate a positive response to the genuine concerns of staff facing cost of living pressures. Alongside this a comprehensive Organisational Development plan has been developed to ensure that the Council makes the best ‘employment offer’, with an end-to-end approach covering recruitment, training and development, talent management and progression, to make us an employer of choice.

Risk Direction

Risk Title:	Health and Wellbeing Service Provision
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What is the risk?	The risk is that following the negative impacts to leisure centres as a result of Covid-19, leisure centres may now face further pressures due to the increased cost of living including through loss of revenue as residents consider where they can save money and through increased cost of operating the centres given the energy price increases and increasing inflation.
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What could cause the risk to occur?	This risk originally escalated to the Strategic Risk register as a result of the Covid-19 pandemic forcing the closure of leisure centres, meaning a loss of income. The risk has now changed slightly and the main cause for it to remain on the strategic risk register is the risk that revenues reduce as the cost-of-living crisis deepens.
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Risk Scoring Page 182	Likelihood of risk occurring		5 (Almost Certain)	<p><u>What are we doing to reduce the risk?</u></p> <ol style="list-style-type: none"> 1. Worked with Fusion Leisure to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council on 31 March 2022) 2. Continue to engage with Fusion to understand issues and support where possible 3. Continue to monitor local and national position (given that all leisure providers will be In the same position) 4. Promote active participation in sport and leisure through Council communication channels
	Impact	Financial	4 (Major)	
		Service Quality	2 (Minor)	
		Reputation	2 (Minor)	
		Legal / Regulatory	2 (Minor)	
		Health and Safety	4 (Major)	
		Morale / Staffing	2 (Minor)	

Current Update (March 2023)	<p>The likelihood of this risk occurring has now increased to '5' as leisure Services nationally are now being significantly impacted by the increases to energy costs and other supplies and services, with the issue being further compounded as individuals consider their own levels of expenditure and focus on essential spending – with discretionary spending on items such as leisure being areas where individuals consider making savings.</p> <p>The Council continues to regularly meet with the Chief Executive of Fusion Leisure to understand the impacts. We are actively taking steps to support fusion progress plan for the decarbonisation of its sites which will, longer term, result in a reduction of energy costs – although does not address the immediate impacts.</p>
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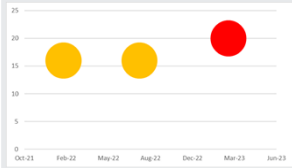
Overall Scoring

Risk Score (Current)



Likelihood 5 x Impact 4

Risk Score History



Risk Direction



Risk Title:	Business Continuity
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What is the risk?	The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.
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What could cause the risk to occur?	Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid-19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/ contractors. Work is required to update our BCP's to the changing environment that we are operating in. We are also entering a period where extreme weather events increase the risk of a business continuity event triggering.
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Risk Scoring Page 183	Likelihood of risk occurring		3 (Possible)	<u>What are we doing to reduce the risk?</u> <ul style="list-style-type: none"> Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service. Agile working further reduces reliance on two office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust – further work underway for the new year
	Impact	Financial	5 (Catastrophic)	
		Service Quality	5 (Catastrophic)	
		Reputation	4 (Major)	
		Legal / Regulatory	2 (Minor)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	3 (Moderate)	

Current update (March 2023)	<p>Positive progress has been made and we have increased the resilience of our business continuity arrangements with new hardware in place to enable a more stable IT environment and more frequent off-site backups.</p> <p>Cyber-security training has been rolled out to all employees and members so that everyone is better able to identify potential threats to our IT operating environment. Significant progress has also been made in updating our Business Continuity and recovery plan for our IT service, working with sector experts to ensure they are as robust as possible.</p> <p>An officer planning day was held in January to develop an update business continuity planning framework and to lead business continuity planning moving forward. We have also undertaken a successful power-cut test of our IT systems. This was successful and back-up systems operated as expected</p>
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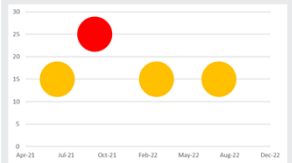
Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 5

Risk Score History



Risk Direction



Risk Title:	Delivery of Waste and Recycling Service			
What is the risk?	The risk is that the Council fails to adequately plan and deliver its Waste and Recycling service following the return to its control from the previous contractor.			
What could cause the risk to occur?	There are a number of issues that could result in issues to delivering the Waste and Recycling service including:- <ul style="list-style-type: none"> - Insufficient staff resource - Incorrect rounds planning 			
Risk Scoring Page 184	Likelihood of risk occurring	2 (Unlikely)	<p><u>What are we doing to reduce the risk?</u></p> <ol style="list-style-type: none"> 1. Appointed a dedicated project manager to support the Head of Service with the co-ordination and management of the transfer of services back to the Council. 2. Developed a detailed project and resourcing plan with weekly project team meetings monitoring and managing progress 3. The Council engaged with the contractor to ensure relevant and timely transfers of data and knowledge to enable a successful transfer 4. Developed a comprehensive Communication Plan to manage expectations of Day one service 	
	Impact	Financial		4 (Major)
		Service Quality		5(Catastrophic)
		Reputation		5 (Catastrophic)
		Legal / Regulatory		4 (Major)
		Health and Safety		3 (Moderate)
		Morale / Staffing		4 (Major)
Current Update (March 2023)	Since the service has been returned to the control of the Council, service performance has stabilised and improved significantly. We have taken steps to reduce the amount of agency resources to provide further resource stability. The introduction of a chargeable garden waste service has progressed well and is on track to commence on 6 March. Officers continue to manage the service provision closely			

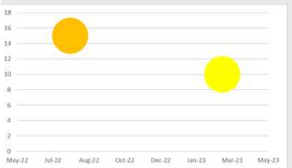
Overall Scoring

Risk Score (Current)



Likelihood 2 x Impact 5

Risk Score History



Risk Direction



Risk Title:	Cost of Living Pressures		
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What is the risk?	The risk is that the Council fails to sufficiently respond to the significant increase in the cost of living, with many more residents requiring urgent support to meet their basic needs and to keep on top of there essential bills. The increase in residents requiring support will put pressure on Council services – particularly Housing, Revenues and Benefits as well as for some of our key partners such as Citizens Advice and Fusion Leisure. Additionally, as residents have less disposable income, we are likely to see an impact on businesses across the borough.		
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What is causing the risk?	There has been a marked increase in the cost of living, largely driven by an increase in energy bills (by 54% since April and a further predicted increase from October). Inflation is at a 40 year high and forecast to increase further in the coming months. This will lead to a reduction in the living standards of all residents within the District.		
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Page 185	What is the level of risk?	Likelihood of risk occurring	2 (Unlikely)	<p><u>What are we doing to reduce the risk?</u></p> <ol style="list-style-type: none"> We have taken steps to quickly progress payments through the government Council Tax energy rebate scheme and launched a discretionary scheme for those households not eligible for the main scheme Launched a Household Support Fund to provide emergency funding to households that are not able to meet their essential bills Made one-off payments of £90 to all pensioners who are in receipt of Council Tax discount
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	3 (Moderate)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	4 (Major)	

Current Update (March 2023)	<p>At the point of the last update to Audit Committee in early September 2022, the Council had not agreed a plan for responding to the Cost of Living impacts and was not clear the level of support Councils would be expected to provide to residents (grants etc) therefore this risk was escalated to the Strategic Risk Register. A Cost of Living Action plan was agreed by Executive and Council later in September 2022 and therefore this risk is de-escalated from the Strategic Risk Register but is however continuing to be a key focus for the Council. Recent action including:-</p> <ul style="list-style-type: none"> Continuing with weekly newspaper articles developed with partners such as Citizens Advice, Tamar Energy and others Extended the funding for Citizens Advice for a further two years, and increasing it in respect of the anticipated increase in demand for advice Delivering on the provision of slow cookers and electric blankets for those that require additional support to reduce bills / stay warm Awarded funding to voluntary and community groups across the District that are supporting residents locally in respect of the cost of living and general winter wellbeing Holding weekly officer 'Cost of Living' planning meetings, attended once a month by the Citizens Advice Manager for South Hams to ensure co-ordinated response Reviewing the Council Tax reduction scheme to enable more people to access Council Tax Reduction support 		
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Overall Scoring

Risk Score (Current)



8

Likelihood 2 x Impact 4



Risk Direction



Risk Title:	Homes for Ukraine Placements			
What is the risk?	The risk is that the Council is not able to meet the longer-term housing needs of Ukrainians arriving in the district through the Homes for Ukraine scheme (or other routes) resulting in significant need for temporary accommodation or consideration of placements out of the area.			
What is causing the risk?	The Council has so far welcomed 201 Ukrainians to South Hams, we are anticipating further arrivals in the coming months. There has been a fantastic level of response from South Hams residents opening their doors to Ukrainians that are fleeing the war, but we are already seeing a number of Guest/Host relationships breaking down for various reasons. It is anticipated that there will be further breakdowns in the coming months as placements come to the end of their initial six months but also due to increased cost of living for hosts resulting in maintaining a larger number of individuals in their homes much more expensive that anticipated and far over and above the £350 per month 'Thank you' payment.			
What is the level of risk?	Likelihood of risk occurring	3 (Possible)	<p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> 1. Developed a dedicated team to work with hosts and guests to try to ensure as many placements as possible are maintained. 2. Recruited 3 x case workers to undertake home visits 3. Begun to prioritise the property checks of potential 'rematch' hosts, meaning that where a placement breaks down we have a 'pool' of alternative hosts available 4. Continued work with Team Devon to develop longer term proposals 	
Page 186	Impact	Financial		3 (Moderate)
		Service Quality		3 (Moderate)
		Reputation		3 (Moderate)
		Legal / Regulatory		3 (Moderate)
		Health and Safety		3 (Moderate)
		Morale / Staffing		3 (Moderate)
Current Update (March 2023)	<p>We now have certainty around the future of the scheme from Government which extends the financial support available including making additional financial provisions available for homelessness prevention. The Council has extended the support workers for a further 18 months to continue to work with Ukrainians to help them into longer term accommodation where current host/ guest placements are approaching an end.</p> <p>The Council is also considering longer term, strategic options to ensure we can accommodate any Ukrainians (and other refugees) that find themselves at risk of homelessness. This is subject to a report to Executive on 02/03/2023.</p> <p>As a result of these actions, the Council considers it is currently able to meet the demands of the scheme within the budget provided by Government and with the resources we have secured and therefore this risk now de-escalates from the Strategic Risk Register.</p>			

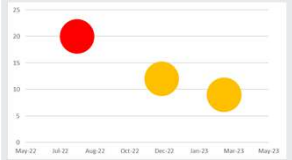
Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 3

Risk Score History



Risk Direction



Report to: **Audit and Governance Committee**
Date: **9 March 2023**
Title: **Sundry Debt**
Portfolio Area: **Finance and Assets – Cllr H Bastone**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: N/A

Author: **Martin Pound** Role: **Principal Accountant**
Pauline Henstock **Head of Finance Practice**
and Deputy S.151 Officer

Contact: **01803 861296** martin.pound@swdevon.gov.uk
01803 861377 pauline.henstock@swdevon.gov.uk

Recommendation:

That the Audit and Governance Committee note the position in relation to Sundry Debt.

1. Executive summary

- 1.1 The Council is responsible for the collection of: Sundry Debts, Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates (NNDR).
- 1.2 This report provides Members with an update of the position of Sundry Debt and Housing Benefits Overpayments up to 31st January 2023.

2. Background

- 2.1 The Council's management arrangements underpin delivery of all the Councils priorities, including the commitment to providing value for money services. Incorporated within this, is the timely collection of monies due to the Council. Debts are recovered in accordance with the Council's Recovery Policy as published on our website.

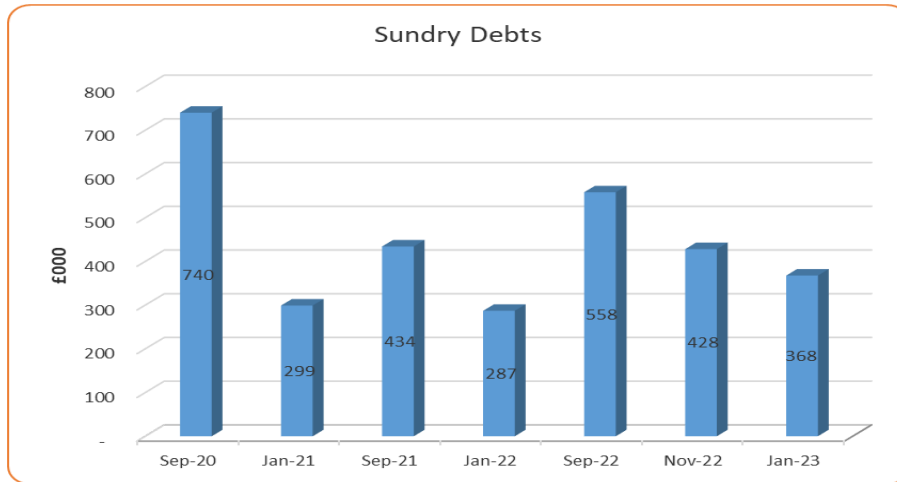
- 2.2 The implementation of a debt recovery comprehensive action plan has resulted in robust recovery procedures. This report outlines the latest positions in collection relating to Sundry Debt and Housing Benefit Overpayments by providing data that demonstrates the progress made.

3. Outcomes/outputs

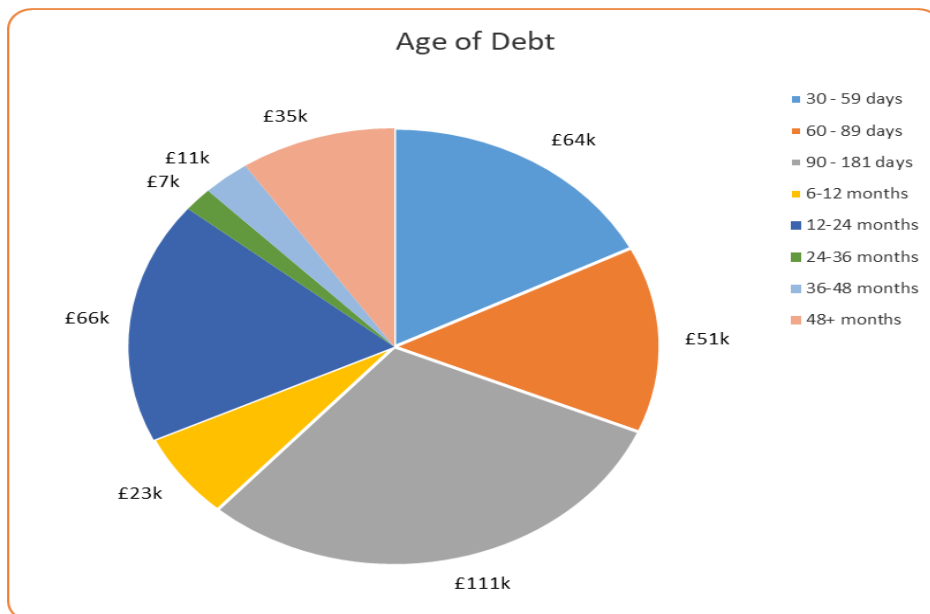
- 3.1 The arrears covered in this report are split into three categories as follows:
- a. Sundry Debts
 - b. Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit
 - c. Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit
- 3.2 All Council sundry debts are actively pursued, and in most instances are collected in a timely manner. In cases where payment is not received on time, a series of reminder letters are issued promptly to the debtor. If this fails to secure payment, recovery is pursued, which could ultimately lead to court action.

Sundry Debts

- 3.3 The balance of arrears for Sundry Debts over recent years is summarised below. This figure has reduced from £428k to £368k since November 22, although excludes the income due in respect of our leisure centres. This is being dealt with separately and not included within this report.
- 3.4 Excluding the Commercial Trade Waste, which is usually paid by monthly direct debit, the remaining debt outstanding shows an increase from £216k to £285k.
- 3.5 This includes a small number of high value invoices that are relatively recent. One invoice relates to another local authority body (£42k) and since drawing the data, another one of these invoices has been paid (£36k).
- 3.6 Sundry Debts consist of Estates Management, Licensing, Trade Waste and Housing. This excludes car parking fines which are included on a different system.



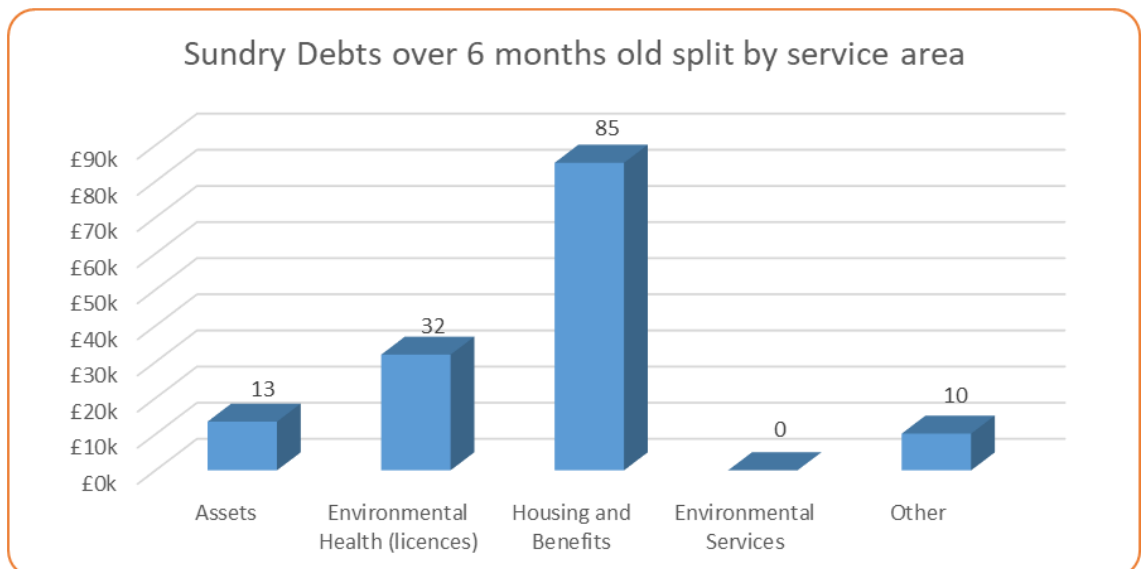
3.7 This balance of £368k can be further broken down in to age bands to give a clearer picture of the nature of Sundry Debt arrears as follows.



3.8 The current balance includes 4 debtors that owe in excess of £20k each. These are being dealt with on a case-by-case basis but, as per paragraph 3.5, some of the invoices are relatively recent.

3.9 The majority of the sundry debt relates to arrangements made by the Assets team. They have been actively pursuing unpaid debtor invoices and supporting our customers with options such as payment arrangements. They are receiving regular information, showing the outstanding debtors and the respective values.

- 3.10 Sundry debts over six months old total £141k and can be further analysed by service area below.
- 3.11 It can be seen that just over £85k relates to Housing and Benefits which are difficult debts to recover. This makes up 60% of the total debt in this age category.
- 3.12 £32k relates to Environmental Health invoices. Most of these invoices are licences and therefore low value, high volume.
- 3.13 The majority of the figure shown as "other" relates to an overpayment of a covid grant. An instalment plan has been agreed and the balance is slowly reducing.

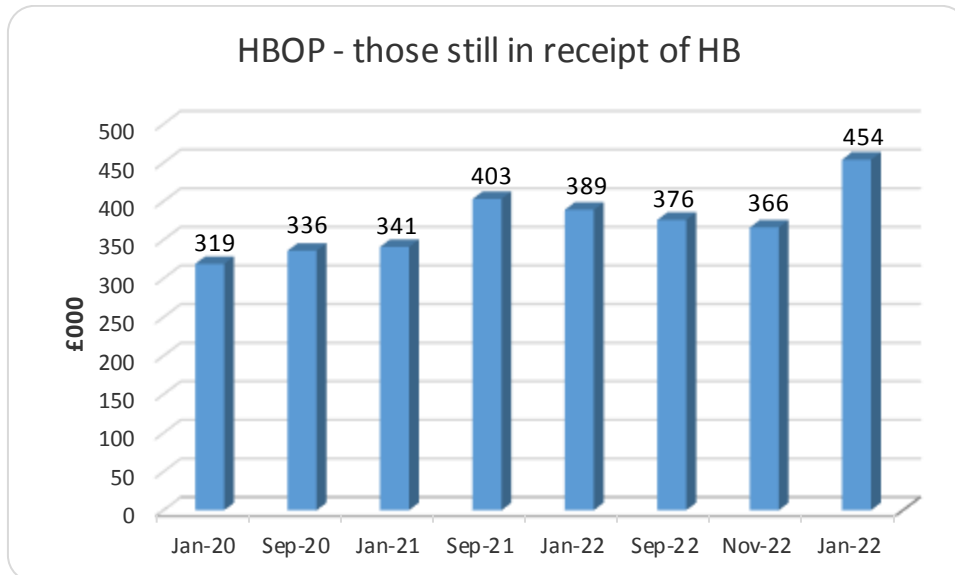


Sundry debt written off

- 3.14 The figure of Sundry debts written off this financial year remains at £3,459. The invoice write off process is reviewed periodically and will be analysed again before the end of the financial year.

Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit

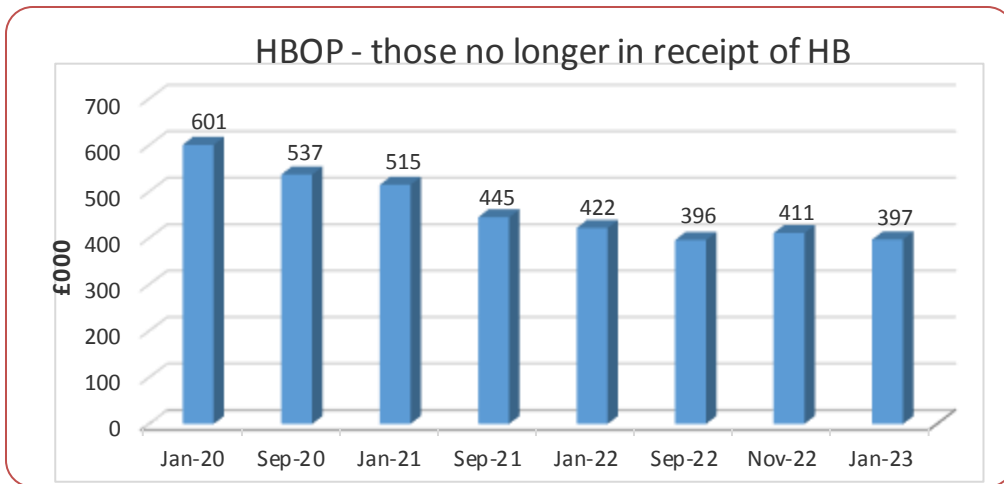
3.15 The balance of arrears for Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit is £454k as at 31st January 2023. The balance over time can be seen on the chart below.



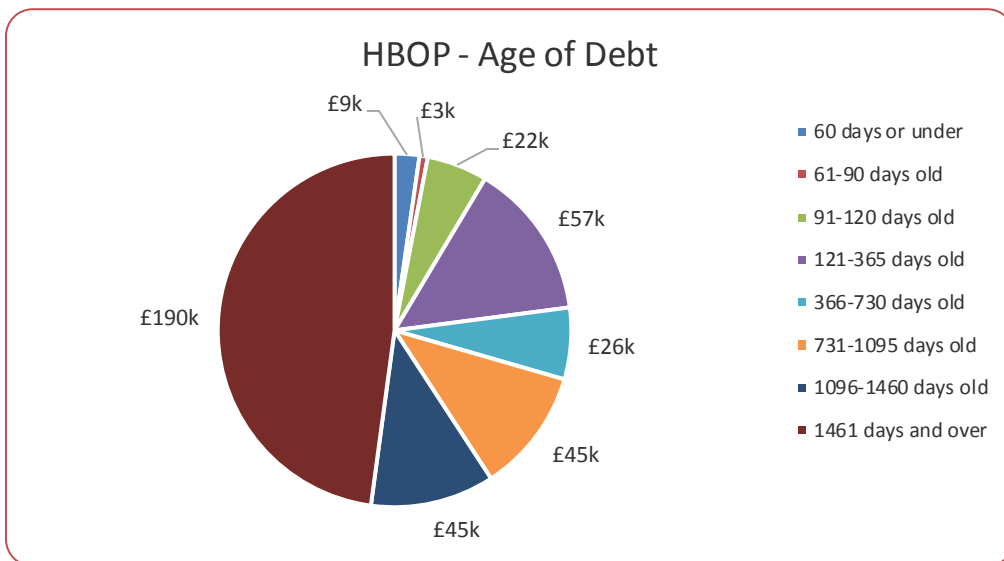
3.16 The Business Support team make every effort to identify overpayments promptly and so begin the recovery process whilst amounts are still relatively low. By recovering these debts whilst people are still in receipt of Housing Benefit, the ease of recovery is greater, as is the likelihood of full recovery.

Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit

3.17 The balance of arrears for Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit is £397k as at 31st January 2023, a slight reduction of £14k since November 2022. The balance over time can be seen on the chart below.



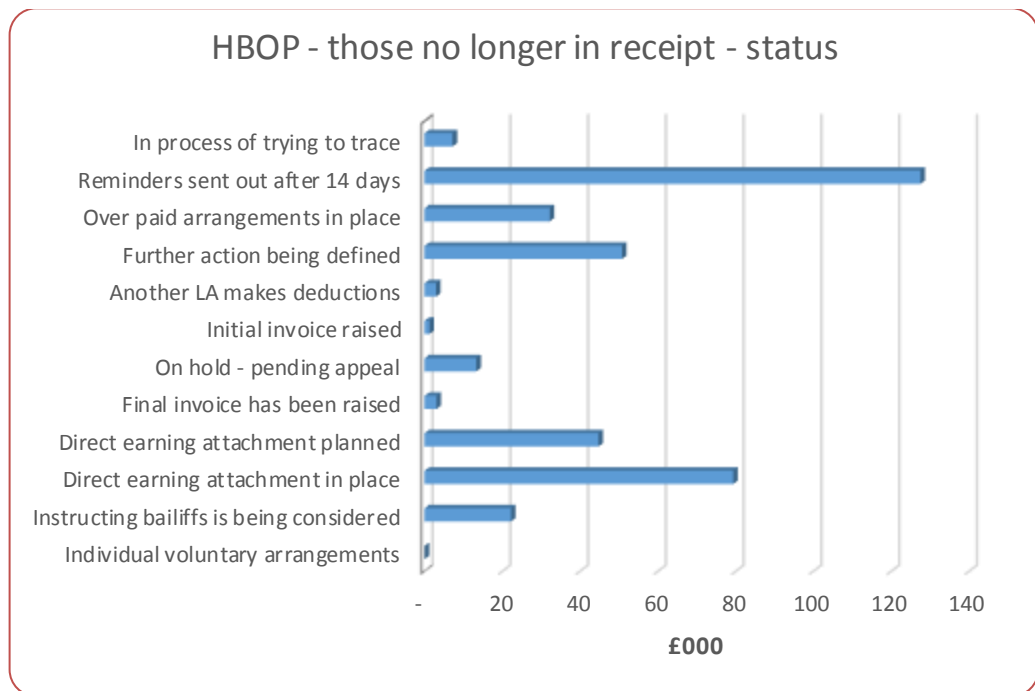
3.18 This balance of £397k can be further broken down by age category to give a clearer picture of the nature of these arrears, as follows.



3.19 Of this balance, £128k relates to debt where overpayment arrangements are in place. For debt totalling £79k, consideration is being given to instructing bailiffs. Although no bailiffs have been appointed at the time of writing the report, the Head of Revenues and Benefits is currently working on the appointment of bailiffs.

3.20 £45k relates to debt where a direct earnings attachment is in place.

3.21 A graphic view showing the status of this debt can be seen below.



Housing Benefit write offs

3.22 Similarly to sundry debts, these are reviewed periodically. The value written off since 1st April 2022 currently sits at just over £21k.

4. Options available and consideration of risk

4.1 The Principal Accountant for Business Support is keen to continue to focus on debt recovery and every effort will be made to recover monies owed to the Council promptly. Where this isn't possible, the debt recovery procedures will be followed and overdue debts will be duly chased accordingly.

5. Proposed Way Forward

5.1 The Committee note the content of this report and continue to receive half yearly updates.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The guidelines for Statutory Interest Charging and adding recovery costs falls under the European Directive 2011/7/EU on Combating Late Payment in Commercial Transactions. Enforcing successful legal action for recovery of debt is dependent upon a robust system of ensuring correct business names are recorded within our systems.
Financial implications to include reference to value for money	Y	Improved income collection, resulting in less impact of uncollectable debt on the Income and Expenditure Account, due to fewer write offs.
Risk	Y	There remains a risk of income not being collected. The Debt Recovery Plan alongside the Debt Recovery Policy seeks to minimise this. Risk to reputation is managed carefully by prompt recovery of amounts due wherever possible. This risk is also mitigated by taking a balanced view and ensuring that resources are not expended on debts which are not cost effective to pursue and these are written off in accordance with the Council's Write Off Policy
Supporting Corporate Strategy		The debt recovery process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	All enforcement action that is taken prior to this point is undertaken in accordance with legislation and accepted procedures to ensure no discrimination takes place.
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	None

Supporting Information

Appendices:

None

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	N/A

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