TORBAY COUNCIL

Tuesday, 19 November 2024

AUDIT COMMITTEE

A meeting of **Audit Committee** will be held on

Wednesday, 27 November 2024

commencing at **10.00 am**

The meeting will be held in the Banking Hall, Castle Circus entrance on the left corner of the Town Hall, Castle Circus, Torquay, TQ1 3DR

Members of the Committee

Councillor Brook (Chairman)

Councillor Fellows (Vice-Chair)

Councillor Hutchings

Councillor Long

Councillor Maddison

Councillor Penny

Independent Person Mr Kristian Hawkes

A Healthy, Happy and Prosperous Torbay

Download this agenda via the free modern.gov app on your iPad, Android Device or Blackberry Playbook. For information relating to this meeting or to request a copy in another format or language please contact:

Governance Support, Town Hall, Castle Circus, Torquay, TQ1 3DR

Email: governance.support@torbay.gov.uk - www.torbay.gov.uk

AUDIT COMMITTEE
AGENDA

1. Apologies

To receive any apologies for absence, including notifications of any changes to the membership of the Committee.

2. Minutes (Pages 5 - 12)

To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 27 July 2024.

3. Declarations of interests

(a) To receive declarations of non pecuniary interests in respect of items on this agenda

For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda

For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)

4. Urgent Items

To consider any other items that the Chairman decides are urgent.

5. LGA Corporate Peer Challenge - Progress Update (Pages 13 - 32)

To consider a report that provides an update on the progress made on implementing the Local Government Association (LGA) Corporate Peer Challenge Action Plan.

6. 2022/23 Torbay Council Audit Findings Report and Progress Report (Grant Thornton)

To consider a report on the above.

7. 2022/23 Statement of Accounts including Annual Governance Statement

To consider a report on the above.

8. **2024/25 Treasury Management Mid-Year Review** (Pages 33 - 54)

To consider a report that sets out a review of Treasury Management activities during the first part of 2024/25.

9. **Review of Section 106 and CiL Audit Report** (Pages 55 - 84)

To consider a report that provides an update on the progress towards addressing the risks outlined in the Internal Audit Report on Section 106 and CiL and give a general understanding of what changes have been made.

10. **Audit Committee Self Assessment (CIPFA Guidance) 2024-25** (Pages 85 - 90)

To consider the report on the above.

11. **Public Sector Audit Appointments (PSAA) Framework for External Audit** (Pages 91 - 98)

To consider a report that provides details of the request from the Overview and Scrutiny Board that the Audit Committee review the PSAA framework for External Audit and explore future options.

12. **Work Plan 2024/2025** (Pages 99 - 100)

To note the Audit Committee's work plan for the remainder of the 2024/2025 Municipal Year.

This page is intentionally left blank

TORBAY COUNCIL

Minutes of the Audit Committee

24 July 2024

-: Present :-

Councillor Brook (Chairman)

Councillors Fellows (Vice-Chair), Hutchings, Long, Maddison and Penny

Co-opted Member
Kristian Hawkes

---

1. Minutes

The Minutes of the meeting of the Audit Committee held on 27 March 2024 were confirmed as a correct record and signed by the Chairman.

2. Declarations of interests

No interests were declared.

3. Terms of Reference

Members noted the Audit Committee's Terms of Reference which had been approved at the Adjourned Annual Council meeting on 20 June 2024.

4. 2021/22 Torbay Council Audit Findings Report

Members noted a report that set out the External Auditors observations arising from the audit of the Council's 2021/22 accounts. Members were advised that the Council's External Auditors Grant Thornton had identified 2 adjustments to the financial statements that have resulted in a £60.5m adjustment to the Council's Comprehensive Income and Expenditure Statement and made recommendations for management as a result of the work undertaken during the audit. The Key Audit Partner for Grant Thornton confirmed that the audit was substantially complete and there were no matters of which they were aware of that would require modification of their audit opinion. Members were informed that the anticipated opinion in respect of the 2021/22 financial statements would be unmodified, as the Council's external auditors had been able to satisfy themselves that the Council had made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

Members thanked the Finance Team for their perseverance and hard work in reproducing the work papers required by external audit, recognising the change in staff within the Council and External Audit contributed to the delay.

In respect of the 2022/23 audit of accounts, Members were advised that the accounts had been produced with the government backstop being utilised for the audit process. A statutory disclaimer will be issued by government, this was expected by 30 September 2024 but had been delayed due to the General Election. Members were informed that the new Government had indicated that they would proceed with the backstop sometime this calendar year. A report will be presented to Audit Committee to formally apply the backstop process and close the 2022/23 accounts.

5. 2021/22 Statement of Accounts including Annual Governance Statement

Members considered a report on the 2021/22 Statement of Accounts including the Annual Governance Statement for the same period. Members were advised that the draft statement of accounts were published in September 2022 and the audit of accounts commenced in January 2023, with it being anticipated that the audit would be completed by March 2023. There have been a number of factors that have delayed the conclusion of the audit such as delays partly due to a number of the officers who prepared the statements and the associated working papers no longer working for the council. This resulted in a loss of knowledge in respect of the preparation and content of the 2021/22 Statement of Accounts and the current team having to pick up the queries and work with the external auditors to complete the audit. This had been a challenge for the team as they were not involved with the preparation of the statement of accounts and the working papers. However, the audit had now been substantially completed and currently there are no matters that would require modification to the currently anticipated ‘unmodified audit opinion’.

Resolved:

That:

i) the 2021/22 Statement of Accounts and the Annual Governance Statement be approved;

ii) the Director of Finance be given delegated authority, in consultation with the Chairman of Audit Committee, to make any minor amendments to the accounts as required as part of the finalisation of the external audit; and

iii) that subject to conclusion of ii) above the Director of Finance and Chairman of the Audit Committee sign the letter of representation.

6. 2023/2024 External Audit Plan

Members noted a report that provided an overview of the scope and timing of the statutory audit of the 2023/2024 financial statements. Members were advised that the audit would provide an opinion on the Council and group’s financial statements, as well as, considering whether the arrangements for securing economy, efficiency and effectiveness in the use of resources were sufficient. A Value for Money conclusion would also be provided which would consider whether resources were used efficiently in order to achieve maximum outcomes.

Members sought clarity on the IT audit strategy and the circumstances in which an improvement plan would be sought. The Key Audit Partner for Grant Thornton advised Members that specialist IT auditors would be used if low level audit risks were identified then recommendations would be made, if significant risks were identified an action plan would be required, if so significant further testing would be undertaken in order to gain assurance.

Members referred to some of the Audit Fee's still being 'to be confirmed'. Members were advised that at the time the submitted report was written there was uncertainty around what would need to be done on opening balances due to the Government backstop. Whilst guidance was still outstanding it was hoped that it would be a gradual process of assurance, with the worst case scenario being a full examination of working papers. With regards to IFRS16, Members were informed that this was a new auditing standard regarding leases. The standard considers the Council's right to use an asset whether it is leased or not. An indicative disclosure will be provided in the 2023/2024 accounts..

7. Annual Audit Report 2023/24

Members noted the Annual Audit Report 2023/24 which set out any updates to the agreed Annual Audit Plan; a review of work undertaken in 2023/24 and provided Devon Assurance Partnership's opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment. Members were advised that based on work performed to date during 2023/24, experience from previous years, the outcome of the Annual Follow Up exercise and the findings of the Assurance Mapping exercise, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".

Members sought clarification regarding the 'limited assurance' in respect of the Coroners Service in particular how Members concerns regarding the service could be captured. Members were advised that the Head of Devon Assurance Partnership would link in with officers and ascertain those with concerns.

Concerns were raised regarding the level of financial advice contained in the Fostering Handbook, the Head of Devon Assurance Partnership confirmed that he would clarify and circulate a response to Members following the meeting.

Reference was made to the management response in respect of Council Tax and the audit in respect of Section 106 and Community Infrastructure Levy, the Chairman advised that he would discuss with the Director of Finance whether it was appropriate for a 'deep dive' at a future Audit Committee.

8. Annual Governance Statement 2023/24

Members considered a report on the Annual Governance Statement (AGS) for 2023/24, the AGS provided the opportunity for the Council to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its Statement of Accounts and the probity of its operations.

The AGS sets out publicly the extent to which the Council complies with its own code of corporate governance (part of the codes and protocols of the Constitution), including how it monitored and evaluated the effectiveness of its governance arrangements in the year.

Members recognised that the AGS was following national guidance, they did not believe the AGS accurately reflected the reality of the behaviour that Members were experiencing. Highlighting that a facilitator was being brought in to work with Members on building relationships. There was a reference within the AGS to 'upholding good conduct', a number of Members do not recognise that view with new Councillors reporting that they do not always feel supported or developed within their role.

Members were reminded that the AGS reviewed the frameworks that the Council had in place to ensure the effectiveness of its system of internal control. How Members behaved within those frameworks was a different question to that being asked of the AGS. Members reiterated their concerns regarding their experiences and those raised in the LGA Corporate Peer Review and sought for the AGS to be reviewed further.

Resolved:

That the Chief Executive, in consultation with Group Leaders, review the draft Annual Governance Statement to more accurately reflect the council culture and behaviour and forward to the Council's External Auditors for their consideration.

9. Treasury Management Outturn 2023/24 Report

Members considered an annual report on the treasury management activities undertaken during the year 2023/24, which was compared to the 2023/24 Treasury Management Strategy. The Council's Treasury Management Strategy for 2023/24 was approved by Council at its meeting on 7 March 2023. The Council had borrowed and invested substantial sums of money and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

Members were advised that there had been considerable effort made to reduce the Council's level of borrowing with a reduction of £26 million having been made to the Council overall loan position.

Resolved, that the Audit Committee recommends to Council:

i) That the Treasury Management decisions made during 2023/24, as detailed in the submitted report be noted.

ii) That the increases to limits within the Treasury Management Strategy 2024/25 as outlined in paragraph 10.4 of the submitted report be approved, subject to the proposed change in minimum acceptable credit rating level remaining at A.

10. Risk Management Update

Members noted an update on the Council's current risk position and the Council's overall risk management arrangements. Members were informed that Directors were embedding risk conversations throughout the Council's informal governance structures (i.e. meetings of Directors, Senior Leadership Team, and directorate management teams and appropriate one-to-ones). Consequently, amendments had been made to Service Risk Registers. Directors had also considered risks where mitigated scores hadn't changed since their creation in 2023 to check and challenge whether the mitigation actions were having the desired effect or whether further mitigations were required.

Since the last report to Audit Committee in March 2024, Directors had agreed the inclusion of three new Corporate Risks.

- CP61 - Failure to realise the benefits of devolution for Devon and Torbay;
- CP62 - Deprivation of Liberty Safeguards waiting list (ICO under delegated tasks of Section 75 agreement); and
- CP63 - Potential loss of data through cyber breach (Adult Social Care)

Members sought clarity in respect of CP62 Deprivation of Liberty Safeguards waiting list. Members were advised that due to lack of qualified staff or Section 12 Doctors there were a number of people deprived of their liberty. Members were informed that whilst a national issue it was considered such a significant risk for NHS that the Council should also acknowledge the risk as the Council is statutorily responsible for the delivery of adult social care.

Members commended the Performance and Risk Manager on progress made in embedding risk within the organisation recognising the improvements that have been made as a result, Members also welcomed the standardisation of the risk report and requested the inclusion of historical notes in future iterations.

11. Risk Assurance Report for Our Integrated Adult Social Care Services

Members noted a report that provided a summary of both Devon Assurance Partnership and ASW Assurance views and audit plans for 2024/25 in respect of Adult Social Care. The Director of Adult Services informed Members that audits conducted on the Council's governance services for Adult Social Care were carried out by Devon Assurance Partnership. Audits conducted on Torbay and South Devon NHS Foundation Trust's operational Adult Social Care services were carried out by ASW Assurance.

Members were advised that the Head of Internal Audit's for ASW Assurance opinion, provided an overall 'Satisfactory' opinion. This was based on the audit work conducted during 2023/24. Members were informed that there were two specific audits carried out in relation to the Adult Social Care Services. These were the Local Government Association Review and Financial Assessments & Benefits Team.

The Director of Adult Services had also met with ASW Assurance and agreed the following pieces of work would be completed by ASW Assurance during 2024/25:

• Deprivation of Liberty Safeguards (DOLS)
• Discharge follow up. (The arrangements in place to ensure the service users when transferred to a temporary placement are moved from that temporary placement as soon as they are able to do so).

With regards to the Council's governance services for Adult Social Care, the Devon Assurance Partnership had been due to carry out an audit of the Integrated Care Organisation (ICO) Sustainability and Improvement Plan (Management and Monitoring). However, during the year, it was agreed this would be postponed as both organisations had agreed to engage a delivery partner to produce a new transformation plan based on revised priorities. As such, the original Sustainability and Improvement Plan was no longer in use, therefore, the audit did not take place. The Director of Adult Services agreed with Devon Assurance Partnership that the audit plan 2024/2025 would include Adult Social Care Transformation Plan and Adult Social Care Use of social care grants.

12. Performance Update: Collection of Council Tax & Non-Domestic Rates

Members noted the submitted report that provided an update on the following areas:
- Council Tax Processing time
- Council Tax and NNDR Collection Rates
- Number of people in receipt of Council Tax Support
- Total amount of Council Support paid

Members were advised that at the end of March 2024, processing times increased to 12 weeks as expected due to the year-end billing process but have now been reduced once again to 8 weeks. The recovery of the processing times has been slightly longer than anticipated due to the additional work required for the implementation of the new Working Age Council Tax Reduction scheme (WACTR) and the preparation for the review of Single Person Discounts.

Members questioned what the Council tax support collection rate was and were informed that the rate of collection for Council Tax across all years and all accounts for Q1 2024/25 was 23.18%, compared to 22% of working age. Officers advised that the banding and raising of the Council Tax support level from 70% to 75% had made Council Tax support much simpler, whilst there was concern that some people would not qualify extra support had been allocated to the hardship fund, so far, there had not been an increased call upon this fund.

13. Counter Fraud and Error Update

Members noted a report that provided an update on counter fraud activity undertaken for the period of 1 April 2023 to 31 March 2024, including reported fraud and irregularities. The Counter Fraud and Error Manager informed Members that the update was intended to support members in obtaining assurance the council had robust processes in place to prevent, detect and deter fraud and error. Thereby preventing financial losses, identifying additional revenue for recovery, securing income through the supply of services, and seeking redress in cases of civil or criminal offending.

Members noted that a review of Single Person Council Tax Discount was due to be undertaken and sought clarification as to the method used for the review. Members were advised that the methods used would be through customer reporting and data matching, alongside the review all those in receipt of Single Person Council Tax would also be written to self-declare if they are no longer the single occupier of a property.

14. Counter Fraud Plan

Members noted the submitted report that set out details of current and future Counter Fraud plans that supported delivery of the Counter Fraud and Corruption Policy. The Counter Fraud and Error Manager informed Members that a counter fraud plan was essential for preventing and detecting fraudulent activities within the public sector. The plan aimed to strengthen the response to fraud and corruption. It involved leadership commitment, risk assessment, clear policies, staff training, collaboration, technology adoption, and ongoing monitoring. By implementing these measures, the Council would be able to better prevent, detect, and address fraudulent activities.

15. Audit Committee Assessment Introduction and Scope 2024-25

The Head of the Devon Assurance Partnership informed Members that the 2022 CIPFA guide ‘Audit Committees Practical Guidance for Local Authorities and Police’ covers the purpose of the audit committee, the core and possible wider functions of the audit committee, independence and accountability, and membership and effectiveness of audit committee. The guide provides a self assessment which the Devon Assurance Partnership will facilitate completion and feedback. Members were strongly encouraged to attend the informal workshop on 23 September 2024.

16. Work Programme

The Audit Committee work programme was noted.

Chairman

This page is intentionally left blank

TORBAY COUNCIL

Meeting: Audit Committee **Date:** 27 November 2024

Wards affected: All

Report Title: LGA Corporate Peer Challenge – Progress Update

When does the decision need to be implemented? Not applicable

Cabinet Member Contact Details: Councillor David Thomas, Leader of the Council, david.thomas@torbay.gov.uk

Director Contact Details: Anne-Marie Bond, Chief Executive, anne-marie.bond@torbay.gov.uk

1. Purpose of Report

1.1 This report is to update members on the progress made on implementing the Local Government Association (LGA) Corporate Peer Challenge Action Plan, which was approved by Cabinet in July 2024.

1.2 At that meeting, it was agreed that, in order for members to maintain ownership and oversight, the implementation of the action plan should be monitored and reviewed by the Audit Committee.

1.3 Whilst this is the first time that the Audit Committee has had the opportunity to view the progress that has been made, Directors have collectively been working on delivering the Action Plan and reviewing progress on a monthly basis.

2. Reason for Proposal and its benefits

2.1 The proposals in this report help us to deliver our vision of a healthy, happy and prosperous Torbay by ensuring we respond to the LGA's feedback and deliver actions that continue to improve how the Council operates, thereby strengthening its ability to deliver all of the Community and Corporate Plan themes.

2.2 The reasons for the proposal and need for the decision are to comply with the decision taken by the Cabinet in July 2024 for the Audit Committee to monitor progress.

3. Recommendation(s) / Proposed Decision

1. That the progress on the implementation of the LGA Corporate Peer Challenge Action, as set out in Appendix 1 to this report, be noted.

Appendices

Appendix 1: LGA Corporate Peer Challenge Action Plan

Background Documents

None

Supporting Information

1. Introduction

1.1 The Local Government Association (LGA) offers all councils a Corporate Peer Challenge once every five years. In April 2024, a team of seven peers visited Torbay and met with a range of officers, councillors and external partners/stakeholders. At the end of their review, the team provided feedback and made recommendations. The Feedback Report was accepted by the Cabinet and an Action Plan agreed which responded to the LGA's recommendations, to ensure the Council embraces the learning and feedback from our peers.

1.2 Directors and other officers across the Council have been actively working on implementing the Action Plan with monthly monitoring reports considered by at the Directors' Overview Meeting.

1.3 The progress made against each action is detailed in the Action Plan at Appendix 1.

2. Options under consideration

2.1 There are no options under consideration as this is an update report.

3. Financial Opportunities and Implications

3.1 The Action Plan is being delivered within the Council's existing resources.

4. Legal Implications

4.1 None

5. Engagement and Consultation

5.1 All members of the Council were invited to share their views with the Peer Team when they visited Torbay. The Council's Senior Leadership Team and other senior officers also provided views as well as partners.

5.2 The Feedback Report has been published on the Council and LGA websites and updates against the Council's action plan are published with the agendas for this Committee.

6. Procurement Implications

6.1 None

7. Protecting our naturally inspiring Bay and tackling Climate Change

7.1 Not applicable

8. Associated Risks

8.1 The main risk is non-delivery against the Action Plan which would mean that the Council is not responding the recommendations of the LGA. This risk is mitigated through the monthly monitoring which is taking place collectively by the Council's Directors.

9. Equality Impact Assessment

9.1 The LGA Corporate Health Check Feedback Report and resulting action plan provides indirect benefits for all its residents through the improvements identified.

10. Cumulative Council Impact

10.1 Delivery against the Action Plan will be undertaken alongside other programmes of improvement work. All of these programmes aim to deliver the ambition within the Council's Community and Corporate Plan.

11. Cumulative Community Impacts

11.1 None

LGA Corporate Peer Challenge - April 2024

Action Plan

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
1	Adopt a council Business Plan agreed on a cross-party basis that outlines a clear set of strategic political priorities	1.1	Seek cross party input through Council Leadership Group	Director of Corporate Services	COMPLETED	The Overview and Scrutiny Board considered the draft Business Plan and further discussions were held with representatives of the other Groups on the Council prior to the Plan being considered by the Cabinet.
		1.2	Approval of the Council Business Plan by Cabinet	Cabinet	COMPLETED	The Council Business Plan was agreed by the Cabinet at its meeting on 11 June 2024.
		1.3	Determine monitoring for Business Plan delivery	Director of Corporate Services	COMPLETED	The Corporate Performance Report for Quarter 1 of 2024/25 provides information on the milestones met and whether the actions within the Plan are on track to be delivered. The Report also provides information on the Council's performance against the indicators within the Council Business Plan and the Community and Corporate

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
						Plan. The report was considered by the Senior Leadership Team, Cabinet members and the Overview and Scrutiny Board. Work is underway to prepare the performance report for Quarter 2 of 2024/25.
		1.4a	Review of Service Plans to ensure Council Business Plan actions are reflected	All Directors	COMPLETED	Mapping has been completed to ensure that all the Council Business Plan actions are appropriately reflected within Service Plans.
		1.4b	Review of Council Business Plan to ensure all actions are reflected in Services Plans	Director of Corporate Services	COMPLETED	The actions within the Council Business Plan have been mapped against the actions within the Council's Service Plans.
2	The very small number of elected members from across the council chamber whose behaviours are impacting so negatively must ask themselves what they want their legacy to be and find ways of working effectively in a context of No Overall Control	2.1	Group Leaders to reflect on LGA advice within their Groups	Support from Chief Executive and Monitoring Officer	On-going	External support has been sourced in order to facilitate discussions within and between political groups.

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
3	Gear up fully to deliver the proposed Combined County Authority arrangements	3.1	Consider the recruitment of the Torbay Council devolution “co-ordinator” for 12 months	Director of Corporate Services and Director of Pride in Place	September 2024	This has been considered and due to timescales has been discounted. Resources are being aligned to ensure Torbay Council are maximising the opportunities available post go-live.
		3.2	Agree internal arrangement for staffing and backfill/recruit as required	Director of Corporate Services	September 2024	Resources are being aligned to ensure Torbay Council are maximising the opportunities available post go-live.
		3.3	Continue to work with Devon County Council on the establishment and implementation of the Devon and Torbay Combined County Authority	Chief Executive	By 31 March 2025	Absolute focus is continuing to ensure that the CCA is established, and opportunities are maximised across Devon and Torbay.
		3.4	Establish Devon and Torbay Combined County Authority	Chief Executive	By 31 March 2025	The expectation is that the Devon and Torbay Combined County Authority will be established in March 2025.
		3.5	Review the Local Transport Plan, identifying linkages to a future Devon and Torbay Local Transport Plan and associated offers and asks	Director of Pride in Place	December 2024	Torbay Council and Devon County Council’s Cabinets have both agreed a draft Local Transport Plan for consultation. Consultation commenced on 1 October 2024. It is hoped that, subject to feedback from the

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
						consultation, a new Local Transport Plan will be in place in early 2025.
		3.6	Review the Economic Growth Strategy, identifying linkages to a future Devon and Torbay Economic Strategy and associated offers and asks (including around training, skills, employment and business support)	Director of Pride in Place	December 2024	A review of the Economic Growth Strategy Action Plan is currently underway and will be shared with Cabinet members in the coming weeks.
4a	Dedicate greater time and space for thinking and collaboration across the organisation to inform strategic direction and focus on outcomes	4.1	Develop proposals to determine how this will be facilitated, following engagement with colleagues across the Council	Director of Corporate Services and Director of Adult and Community Services	COMPLETED	DOM and SLT think space sessions are live, with DOM sessions fully embedded and SLT sessions programmed. Time is set aside at both levels of managers' forums to collaborate on key areas of change with agendas being fed through DOM and SLT as well as through heads of service.
		4.2	Establish periodic check and challenge to ensure that this is embedded as our approach moving forward	Director of Corporate Services and Director of Adult and Community Services	COMPLETED	Agreed approach at DOM and check and challenge programmed quarterly on DOM from August onwards.

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
		4.3	Review the Decision Making Framework and Internal Governance Meeting Structure (and associated processes) in order to empower Directors and their teams	Director of Corporate Services to develop proposal	COMPLETED	Re-configured meeting time allocations to give focused time on operational matters and greater space for strategic thinking with SLT. Reduced requirement for covering reports for cyclical agenda items. Empowered directorates to own report deadlines and quality assurance, increasing accountability. Improved information flow through directors' commitment to increase flow down of broader information sets from SLT and DOM.
		4.4	Ensure that governance arrangements are followed in order to free up time and space for greater collaboration within DOM, SLT and CAD, including effective use of the Member Casework System	All Directors	On-going	A greater remit has been given to Directorate Management Teams in order to manage governance requirements in order to free up time and space for greater collaboration.
4b	Develop a more distributed model of leadership	4.5	Ensure the Member Development Programme provides support for councillors' role as	Director of Corporate Services	31 July 2024	A proposal is being considered to formalise 'Councillor Conversations,' however this is being held to allow the cross party relations work to be undertaken, and will be tested with

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			ambassadors for their local areas			Members thereafter in order to finalise and roll-out.
		4.5	Linking to the Our People Strategy Action Plan, consider the potential to develop a Head of Service support programme and a development programme for aspiring Heads of Service	Chief Executive	30 September 2024	Managers Framework is in development for imminent launch, this was delayed due to significant pressures within HR.
5	Ensure the People Strategy is collectively owned and led from the top	5.1	Run senior management session to help facilitate knowledge, co-design actions and increase ownership	Director of Corporate Services	COMPLETED	A Managers Forum was held in June 2024 were managers worked together to identify actions to help embed the Our People Strategy.
		5.2	Launch People Strategy with associated Communication and Engagement Plan	Director of Corporate Services	COMPETED	A Communications and Engagement Plan is in place and is being rolled out. The Staff Awards have been launched with the ceremony held in September 2024.
		5.3	Review the leadership and membership of the Our People Board to drive delivery of the Our People Strategy Action Plan (with the Chief	Chief Executive	COMPLETED	The Chief Executive took over SRO responsibility in July 2024. A review of the membership of the board has taken place and a wider staff engagement is now in place. The Action Plan has been refined to ensure focussed delivery with clear milestones and expectations.

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			Executive as Senior Responsible Officer)			
		5.4	Deliver the Our People Strategy Action Plan including: • The establishment of staff awards • Recognising, celebrating and communicating everyday successes and achievements • Phase 2 of the Internal Engagement Strategy	Chief Executive	On-going	The Chief Executive took over SRO responsibility in July 2024 and chaired her first meeting as such. A refinement of the action plan has occured in order to drive delivery. The first staff awards took place on 26 September 2024 and were received really positively by staff across the Council.
	Ensure corporate leadership and ownership to develop a clearer focus on equalities, diversity and inclusion	6.1	Deliver the Equality, Diversity and Inclusion Action Plan	Director of Public Health and Director of Corporate Services	On-going	A draft action plan has been prepared and Emerging Issues paper shared with Cabinet. Briefings are taking place on a quarterly basis with the portfolio holders and champion. Work is progressing with the first staff networks in place.
		6.2	Establish mechanism to report on progress against the Action Plan to Lead Members and DOM on a quarterly basis	Director of Corporate Services	COMPLETED	Quarterly report programmed on DOM and CAD from September 2024 onwards. First CAD agenda item will confirm onwards flow of this and future reports.
		6.3	Update the Equality, Diversity and Inclusion	Director of Public Health	From January 2025	An inclusion strategy is in development, to be considered by Cabinet in January

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			Action Plan on an annual basis taking account of equality data and feedback from resident and staff engagement	and Director of Corporate Services		2025. Progress against the strategy will be monitored quarterly by senior management. This will be complemented by an annual report, which is published to meet our Public Sector Equality Duty reporting requirements.
7	Reflect on current approaches around process and system to ensure risk is balanced with outcomes and the necessary assurance is received on what matters most	7.1	Revise and embed the Performance Management Framework	Director of Corporate Services	December 2024	A new style performance report was prepared for Q1 with positive feedback from SLT and members. This was refined for Q2 and will be further refined for Q3. The Performance Management Policy is currently under review together with the supporting Performance Management Framework. This work will be accelerated during the Autumn ahead of sign off by Christmas 2024.
		7.2	Review current approach, testing against guidance and best practice from elsewhere, and determine correct approach for our circumstances	Director of Finance and Director of Corporate Services	COMPLETED	Having conducted the review, the Performance Management Policy is being redrafted taking account of legislative requirements, LGA guidance and best practice from across the Country. The Policy will form part of a Framework which will be available to assist officers in ensuring that

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
						performance management is embedded within the organisation.
		7.3	Make best use of data and insight to drive improved outcomes,	Director of Public Health	30 September 2024	The 2024/25 JSNA main narrative and JSNA Ward profile are updated annually and available at Joint Strategic Needs Assessment (JSNA) and Ward Profiles - Torbay Knowledge and Intelligence (southdevonandtorbay.info) In addition to this there are two-page profiles providing summaries on topical issues as well as Annual Reports as Director of Public Health Public Health - Torbay Council All these resources are disseminated to key teams and partners and regular discussions at SLT, DOM and CAD where data and intelligence are discussed with implications for services.
8	Deliver a 'reset' of Overview and Scrutiny organisationally and politically	8.1	Review the draft Local Protocol for Overview and Scrutiny taking account of the Statutory Guidance issued in April 2024	Director of Corporate Services and Director of Adults and Community Services	COMPLETED	Review undertaken and changes approved at Council Meeting in September 2024 to ensure relationship and responsibilities are clearly defined and expectations are set for all parties in accordance with the Statutory Guidance.
		8.2	Consider further, potentially external, training requirements for	Director of Corporate Services and	September 2024	The training programme has been reviewed and enhancements are to be rolled out post consultation with

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			members and officers in relation to overview and scrutiny	Director of Adults and Community Services		stakeholders, which is planned post Member facilitation sessions. We will be working with Devon County Council on Scrutiny training for the new Combined County Authority.
		8.3	Adopt through Council and embed new changes	Director of Corporate Services	COMPLETED	Adopted at Council in September 2024.
9	Create the space for cross-party consideration of matters relating to Constitutional and elected member governance	9.1	Review ways of working to ensure that the overall structure provides the required opportunities for all issues to be addressed	Chief Executive	31 July 2024	Draft revised ways of working in no overall control administration has been prepared and initial discussion took place at Council Leadership Group on 25 June 2024. Further discussions will take place with Group Leaders following the conclusion of their facilitated sessions on cross party working.
		9.2	Council Leadership Group to agree approach	Chief Executive	31 July 2024	To flow from 9.1
10	Maintain the focus on the nine areas of significant spend and demand pressure	10.1	Ensure that there continues to be focus on these areas, with report to Cabinet established	Director of Finance	On-going	Financial Sustainability Plans are being closely monitored by the Chief Executive and Directors.
11a	Consider the approach to the council's buildings and accommodation	11.1	Review previous initiatives in relation to office accommodation to assess the following	Director of Pride in Place and Director	December 2024	A draft PID has been developed with guidance from Director of Pride in Place to consider the use of the Town Hall campus. DOM will be reviewing the draft

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			against the Target Operating Model: • cost/benefit • response to staff survey • current contractual arrangements for staff, including the requirement for monthly team anchor days	of Corporate Services		in November 2024 to ensure there is a mandate for the works in scope. The Capital Asset Management Group meeting to be utilised for reporting. That Group requires Terms of Reference to be established and to report through the Capital & Growth Board to ensure consistent oversight. Contractual arrangements for staff have been reviewed and are being updated in accordance with the reviewed and accepted policy. This is being done in tranches and will be complete by the end of the 2024/25 financial year.
		11.2	Subject to 11.1, agree the Council's approach to its buildings and accommodation	All Directors	December 2024	To flow from 11.1
		11.3	Determine the Council's wider approach to our estate, including the need or otherwise for increased customer access points	Director of Pride in Place and Director of Adult and Community Services	December 2024	Appointments are now available with the Housing Options Team within the Children's Services Reception in Electric House, Torquay. The Family Hubs also provide an opportunity for more face-to-face interaction, including the registration of births.
		11.4	In light of 11.1-11.3, review the Council's	Director of Pride in Place	December 2024	Reviewed with Estates Team, the existing strategy and policy continues to be appropriate. Some minor

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			Asset Management Strategy and Policy			amendments to update for community plan / business plan to be considered with Governance Support to ensure appropriate decision making.
		11.5	Consider how a One Bay Estate approach could be used to place-shape and optimise the use of assets across Torbay	Director of Pride in Place	2025/2026	Preliminary discussion with key Cabinet members, agreement that this is not a priority action for this year given the wider requirements of this Action Plan and the Council Business Plan.
11b	Take stock of the learning, challenges and opportunities around the 'return to the workplace'	11.6	Review the Flexible Working Policy to collectively consider the learning, challenges and opportunities that exist as return to the workplace continues	Director of Corporate Services	COMPLETED	Policy is fit for purpose and the balance of business and staff needs can be managed departmentally within the policy. Review of the use of our assets may provide more opportunity for making our offices attractive to greater occupancy.
12	Enhance the corporate approach to transformation	12.1	Consider extension of current temporary resource to safeguard future delivery timescales and consider extra project leads and business analysts to increase rate of change	Director of Finance	COMPLETED	Resource in Business Improvement and Change Team has been extended in line with project end forecasts. Extra resource was considered, however, due to the pace of change that the organisation can tolerate without detrimental impact on statutory service delivery, this was discounted.
		12.2	Consider Internal Audit recommendation of Portfolio Manager (or Programme Manager)	Director of Finance	COMPLETED	This was considered, but the cost benefit was not advantageous for an organisation of our scale. To mitigate, as well as rolling out a standardised

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
			role and associated support requirements to enable a PMO approach based on cost/benefit			project management methodology, we are using digital solutions to track and manage projects and programmes at a portfolio level within the transformation portfolio. Capital projects will continue to be managed through established governance.
		12.3	Complete the Service Review of Corporate Services (to include consideration of silos of project management being brought together under one Programme Management Office)	Director of Corporate Services	April 2025	Service Review is underway and on schedule for completion in April 2025, to note, any HR change process arising from the review will start at this point, not finish.
		12.4	Adopt standardised project methodology across the Council	Director of Corporate Services and Director of Pride in Place	COMPLETED	All products rolled out. Promotion in staff channels prior to deadline completed.
13	Evolve the role and ways of working of corporate services	13.1	Complete the Service Review of Corporate Services to appraise Corporate Services against our Design Principles and our progress towards the Target Operating Model (see also 12.3)	Director of Corporate Services	April 2025	The review has commenced in IT Services and Health & Safety. Other services will follow to meet the completion date.

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
		13.3	Support all directorates to have “Brilliant Basics” in place	Director of Corporate Services	December 2024	Exercise agreed with SLT and guidance shared in July, for roll out across all teams. This is now completed in some directorates.
14	Undertake the necessary functional realignments in relation to the TDA	14.1	Review the organisational structure of the Council to appropriately reflect the functions previously undertaken by TDA, including ensuring that there is strengthened delivery around economic regeneration and growth	Director of Pride in Place (Chief Executive)	November 2024	Work is well progressed and is now being taking forward by the Chief Executive after a short delay due to the temporary absence of the Director of Pride in Place.
		14.2	Ensure that the working practices and processes that apply to assets, projects and other services previously delivered through TDA are consistent with other Council areas	Director of Pride in Place (Chief Executive)	November 2024	The structure referenced in 14.1 will assist with this action. In the temporary absence of the Director of Pride in Place, the Chief Executive is working hard to strengthen the governance arrangements around capital projects.
15	Dedicate the necessary resource to develop the housing strategy and ensure the delivery of it is corporately owned	15.1	Complete preparation of Housing Strategy Delivery Plans	Director of Pride in Place (Divisional Director – Planning, Housing and	September 2024	Cabinet and group leaders have been engaged with feedback used to revise the Delivery Plan where appropriate.

Ref	Recommendation	Action		Lead	Completion Date	Progress Update
				Climate Change)		
		15.2	Assess resource requirements against Delivery Plans and recruit as indicated	Director of Pride in Place and Director of Finance	September 2024	Aligned to the above, approval given to recruit to the two roles already on establishment and two further roles set out in delivery plan.
		15.3	Develop closer working relationship with Homes England, identifying linkages to a future Devon and Torbay housing approach/capital programme and associated offers and asks	Director of Pride in Place (Chief Executive)	Ongoing	Meetings with Homes England have been held between with the Cabinet Member, the Director of Pride in Place and the Chief Executive. Further meetings are planned.
		15.4	Deliver the actions within the Council Business Plan in relation to homelessness	Director of Adult and Community Services	December 2024	The Homelessness and Rough Sleepers Action Plan is being drafted and will incorporate these actions. The draft Action Plan is due to be considered by CAD. The formal planning process will commence when the strategy consultation period ends.
		15.5	Delivery against targets and mitigations against risk to be considered	Director of Pride in Place, Director of	COMPLETED	Framework for this has been completed. On-going monitoring now required as business as usual.

Ref	Recommendation	Action	Lead	Completion Date	Progress Update
		through Performance Reports and Risk Reports	Adult and Community Services and Director of Corporate Services		

TORBAY COUNCIL

Meeting: Audit Committee/Council **Date:** 27th November 2024/ 5th December 2024

Wards affected: All wards in Torbay

Report Title: Treasury Management Mid – Year Review 2024/25

When does the decision need to be implemented? Immediate

Cabinet Member Contact Details: Councillor Alan Tyerman, alan.tyerman@torbay.gov.uk

Director/Divisional Director Contact Details: Malcolm Coe, Director of Finance, malcolm.coe@torbay.gov.uk and Paul Matravers, Head of Corporate Finance, paul.matravers@torbay.gov.uk

1. Purpose of Report

1.1 This report provides Members with a review of Treasury Management activities during the first part of 2024/25. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations.

1.2 The report has been prepared based on performance and data at 30th September 2024.

1.3 The key points in the Treasury Management review are as follows:

- Bank rate was cut from 5.00% to 4.75% in November with further cuts forecast.
- Gilt yields and therefore PWLB rates are over 1% higher than those at the start of the year.
- No new borrowing has been undertaken and internal resources used to fund capital expenditure.
- Further strategic investments in long term bonds to provide budgetary surety over the medium term
- All decisions have complied fully with adopted principles and the Council's approved Treasury Management Strategy.

2. Reason for Proposal and its benefits

2.1 The preparation of a mid-year review on the performance of the treasury management function forms part of the minimum formal reporting arrangements required by the CIPFA Code of Practice for Treasury Management.

3. Recommendation(s) / Proposed Decision

Audit Committee:

3.1 That the Audit Committee provide any comments and/or recommendations on the Treasury Management performance for the half year to 30 September 2024

Council:

3.2 That the Treasury Management decisions made during the half year to 30 September 2024 as detailed in this report be noted.

Appendices

Appendix 1: Economic Commentary
Appendix 2: Non-Treasury Management Investments (Exempt)
Appendix 3: Borrowing and Investment Portfolio at 30th September 2024

Background Documents

Treasury Management Strategy 2425.pdf (torbay.gov.uk)

1. Introduction

1.1 In February 2019 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.

1.2 The Treasury Management strategy for 2024/25 was approved at a meeting on 22nd February 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

1.3 Treasury Management decisions and strategies have been made in consultation with the Council's advisors, Arlingclose Ltd.

2. Economic Commentary

2.1 The significant economic events impacting the Treasury Management strategy during the year were:

- UK headline consumer price inflation fell from 3.2% at the start of the year to 2.0% by May and has remained around that Bank of England target.
- The Monetary Policy Committee cut Bank rate from 5.00% to 4.75% in November.
- Gilt yields have risen with a period high in May before falling back by end September

2.2 A full economic commentary covering the first quarter 2024/25 by Arlingclose Ltd is provided at Appendix 1 to this report.

2.3 Arlingclose' s key observations for the remainder of 2024/25 are set out below:

- The MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We see another rate cut in 2024 (Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%.
- Upside risks to inflation remain which could limit the extent of monetary easing
- Long-term gilt yields have fallen alongside US monetary policy expectations. Arlingclose' s central case is for yields to be volatile around a relatively narrow range, reflecting the likelihood for monetary policy loosening in the Eurozone, UK and US.

3. Local Context

3.1 On 31st March 2024, the Council had net borrowing of £309m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31st March 2024 Actual £m	**31st March 2025 Forecast (at 30.9.24) £m**
Total Capital Financing Requirement (CFR)	**449**	**446**
Less: Other debt liabilities	(14)	(13)
Borrowing CFR	**435**	**433**
Financed by:		
External borrowing	**359**	**356**
Internal borrowing	76	77
Total	435	433
Internal Resources for investment:		
Useable Reserves	(99)	(92)
Working Capital/Other	(27)	(35)
Less: Cash resource applied to Internal Borrowing	76	77
Total Treasury Management Investments	**(50)**	**(50)**
Net Treasury Management Position		
External Borrowing	359	356
Investments	(50)	(50)
Net Total	**309**	**306**

3.2 The treasury management position (nominal values) on 30th September 2024 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	30.9.24 Balance £m	30.9.24 Rate %
Long-term borrowing	359	(3)	356	2.91
Short-term borrowing	0	0	0	0
Total borrowing	**359**	**(3)**	**356**	**2.91**
Long-term investments	(15)	(6)	(21)	4.72
Short-term investments	(35)	(24)	(59)	5.00
Cash and cash equivalents	(0)	(0)	(0)	
Total investments	**(50)**	**(30)**	**(80)**	**4.93**

4. Borrowing

4.1 Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.

4.2 As outlined in the Treasury Management Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

4.3 No new borrowing was undertaken while a £3m existing loan has matured without replacement.

4.4 The Council will continue to monitor, with the support of its Treasury advisor's, any alternative borrowing options.

4.5 Outstanding loans on 30th September 2024 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.24 Balance £m	Net Movement £m	30.9.24 Balance £m	30.9.24 Weighted Average Rate %	30.9.24 Weighted Average Maturity (years)
Public Works Loan Board	349	(3)	346	2.858	25
Banks (LOBO)	5	0	5	4.395	54
Banks (fixed term)	5	0	5	4.700	50
Total borrowing	**359**	**(3)**	**356**	**2.905**	**26**

4.6 LOBO loans: The Council continues to hold £5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The lender option does not commence until 2028.

4.7 After £0.8m repayment of prior years' Private Finance Initiative debt, the balance outstanding stood at £13m on 30th September 2024, taking total debt to £369m.

5. Treasury Investment Activity

5.1 The CIPFA TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

5.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year investment balances ranged between £52m and £92m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement £m	30.9.24 Balance £m	30.9.24 Income Return %	30.9.24 Weighted Average Maturity days
Banks & Building Societies	0.3	0.0	0.3	3.20	1
Government Bonds	3.3	14.3	19.6	4.50	5,601
Local Authorities	35.0	12.0	47.0	4.78	198
Corporate Bonds	2.0	0.0	2.0	4.28	1,599
Money Market Funds	4.6	10.7	15.3	4.94	1
Other Pooled Funds:					
- Property fund	4.4	0.0	4.4	4.86	-
Total Investments	**49.6**	**37.0**	86.6	**4.73**	**1,189**

5.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.4 Bank Rate reduced from 5.00% to 4.75% in November 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits obtained ranged between 4.86% and 5.20% and money market rates between 4.8% and 5.3%.

5.5 Further investments into longer term bonds were made in June and July as part of the strategy of diversifying the portfolio. A further £10 million was placed in these instruments at yields of 4.118%, 4.551% and 4.802% providing budgetary security through returns beyond the medium term.

5.6 Cash levels were boosted at the start of the year by capital grant monies. After consideration of the affect on strategic cash flows and forecast reductions to interest rates, a number of deposits were made through the period, with other Local Authorities, to lock in rates before they fell. Rates obtained from these transactions ranged from 4.70% to 5.15%. Otherwise, investments were kept short with the government DMADF facility, in Money Market Funds and other Local Authority deposits.

5.7 The progression of risk and return metrics are shown in the extracts from Arlingclose' s quarterly investment benchmarking exercise (Q2 to end September 2024) in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
30.06.2024	3.99	AA-	22%	821	4.81%
30.09.2023	4.02	AA-	11%	1,189	4.73%
Similar LAs	**4.65**	**A+**	**60%**	**100**	**5.01%**
All LAs	**4.60**	**A+**	**61%**	**11**	**4.91%**

5.8 The benchmarking results reflect the Council's appetite for low-risk counterparties which may impact the overall level of return. The high average maturity period is driven by the move into longer dated bond investments. Details behind the benchmarking results suggest that other LA's use pooled funds for their strategic investments; these may be providing a higher return currently but are more volatile than the fixed return of bonds and may be subject to revenue impacts from potential changes to accounting regulations in the near future.

5.9 **Externally Managed Pooled Funds**: £5m of the Council's investments is held in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

6. Non-Treasury Investments

6.1 The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

6.2 A full list of the Council's non-treasury investments is presented at Appendix 2.

7. Impact of Treasury Performance on the Revenue Budget

7.1 The net revenue budget for treasury management is projected to be underspent as a result of reduced external borrowing expectations and the rise in investment returns, as shown in table 6 below.

As at 30th September 2024	Budget 2024/25	Projected Outturn 2024/25	Variation
	£m	**£m**	**£m**
Investment Income	(1.3)	(3.7)	(2.4)
Interest Paid on Borrowing	12.2	10.4	(1.8)
Net Position (Interest)	**10.9**	**6.7**	**(4.2)**
Minimum Revenue Provision	7.6	7.6	(0.0)
Amortisation of discount on repaid loans	0	(0.1)	(0.1)
Net Position (Other)	**7.6**	**7.5**	**(0.1)**
Net Position Overall	**18.5**	**14.2**	**(4.3)**

8. Compliance

8.1 The Chief Finance Officer reports that all treasury management activities undertaken during the period complied fully with the principles in the TM Code and the Council's approved Treasury Management Strategy. Compliance with specific limits is demonstrated in tables 7 and 8 below.

Table 7: Debt Limits

	2024/25 Maximum	**30.9.24 Actual**	**2024/25 Operational Boundary**	**2023/24 Authorised Limit**	**Complied?** Yes/No
Borrowing	£359m	£359m	£430m	£480m	Yes
PFI & Finance Leases	£14m	£14m	£20m	£20m	Yes
Total Debt	**£373m**	**£373m**	**£450m**	**£500m**	**Yes**

Table 8: Investment Limits

	Maximum in period	**30.9.24 Actual**	**2024/25 Limit**	**Complied?** Yes/No
Any single organisation, except the UK Government	£10m	£10m	£15m	Yes
UK Central Government	£23m	£0m	Unlimited	Yes
Money Market Funds	£23m	£13m	Unlimited	Yes

Treasury Management Indicators: The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating/credit score of its investment portfolio. The credit score is calculated by applying a value to each investment (AAA=1, AA+=2, …. A=6 etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.24 Actual	**2024/25 Target**	**Complied?**
Portfolio average credit rating (score)	AA- (4)	A (6)	Yes

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-month period, without additional borrowing.

	30.9.24 Actual	**2024/25 Target**	**Complied?**
Total cash available within one month	£25m	£10m	Yes

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk.

The Council's debt portfolio is virtually all at fixed rate and therefore has no exposure to fluctuations in interest rates. As such no specific limits are proposed on interest rate exposure but any new borrowing will be restricted to a maximum 30% of the total portfolio exposed to variable interest rate. No new borrowing has been undertaken during the first part of the year.

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	**30.9.24 Actual**	**Upper limit**	**Lower limit**	**Complied?**
Under 12 months	2%	10%	0%	Yes
12 months and within 24 months	0%	15%	0%	Yes
24 months and within 5 years	6%	30%	0%	Yes

5 years and within 10 years	10%	40%	10%	Yes
10 years and within 20 years	18%	50%	10%	Yes
20 years and within 30 years	9%	50%	10%	Yes
30 years and within 40 years	37%	50%	10%	Yes
40 years and above	18%	50%	0%	Yes

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2024/25	**2025/26**	**2026/27**
Actual principal invested beyond year end	£30m	£20m	£20m
Limit on principal invested beyond year end	£40m	£40m	£40m
Complied?	Yes	Yes	Yes

This page is intentionally left blank

Appendix 1 - Economic background (provided by Arlingclose, October 2024)

UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

Financial markets: Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Appendix 3

Borrowing and Investment Portfolio at 30th September 2024

Long Term Borrowing

Name	Principal £	Interest Rate	Start Date	Maturity Date
Barclays Bank PLC (NRFB)	5,000,000	4.700%	25/09/2006	25/09/2076
Dexia Credit Local	5,000,000	4.395%	05/11/2007	07/11/2078
Public Works Loan Board	3,000,000	4.150%	13/12/2005	14/02/2046
Public Works Loan Board	2,000,000	4.050%	23/12/2005	14/02/2051
Public Works Loan Board	2,000,000	4.450%	14/07/2006	14/08/2036
Public Works Loan Board	4,000,000	4.350%	19/07/2006	15/11/2036
Public Works Loan Board	2,000,000	4.400%	19/07/2006	15/11/2034
Public Works Loan Board	2,337,000	4.400%	02/08/2006	15/05/2037
Public Works Loan Board	2,000,000	4.400%	11/08/2006	15/12/2037
Public Works Loan Board	2,000,000	4.100%	28/09/2006	15/12/2041
Public Works Loan Board	3,000,000	4.150%	03/11/2006	15/06/2038
Public Works Loan Board	2,000,000	4.100%	03/11/2006	15/12/2041
Public Works Loan Board	4,000,000	4.100%	07/12/2006	15/01/2052
Public Works Loan Board	4,000,000	4.350%	25/01/2007	15/10/2042
Public Works Loan Board	3,000,000	4.450%	31/01/2007	15/03/2048
Public Works Loan Board	4,000,000	4.350%	02/03/2007	15/07/2043
Public Works Loan Board	4,000,000	4.300%	08/03/2007	15/07/2049
Public Works Loan Board	2,000,000	4.300%	08/03/2007	15/07/2050
Public Works Loan Board	2,000,000	4.500%	20/08/2007	15/09/2052
Public Works Loan Board	2,000,000	4.500%	27/11/2007	15/01/2035
Public Works Loan Board	2,000,000	4.420%	07/01/2008	15/03/2041
Public Works Loan Board	2,000,000	4.420%	24/01/2008	15/03/2040
Public Works Loan Board	3,000,000	4.380%	10/09/2008	15/04/2058
Public Works Loan Board	3,000,000	4.390%	10/08/2009	15/04/2027
Public Works Loan Board	3,000,000	4.480%	10/08/2009	15/04/2044
Public Works Loan Board	5,000,000	4.250%	24/08/2009	24/08/2032
Public Works Loan Board	5,000,000	4.010%	13/10/2009	15/06/2029
Public Works Loan Board	5,000,000	4.380%	10/05/2010	15/07/2025
Public Works Loan Board	61,587	4.500%	21/04/1999	21/03/2059
Public Works Loan Board	252,508	4.750%	21/04/1999	21/03/2059
Public Works Loan Board	615,872	4.750%	28/07/1999	28/03/2059
Public Works Loan Board	636,401	4.750%	28/07/1999	28/03/2059
Public Works Loan Board	1,437,035	4.750%	28/07/1999	28/03/2059
Public Works Loan Board	944,337	4.500%	09/08/1999	09/03/2058
Public Works Loan Board	392,105	4.750%	10/08/1999	10/03/2054
Public Works Loan Board	410,581	4.500%	12/08/1999	12/03/2057
Public Works Loan Board	266,591	4.875%	02/12/2002	30/09/2027
Public Works Loan Board	207,974	4.750%	11/03/2004	11/09/2033
Public Works Loan Board	410,581	4.750%	01/04/2004	01/03/2034
Public Works Loan Board	410,581	4.950%	08/07/2004	08/03/2034
Public Works Loan Board	410,581	4.250%	21/11/2005	21/09/2032
Public Works Loan Board	410,581	4.150%	13/12/2005	13/09/2055
Public Works Loan Board	410,581	4.100%	19/12/2005	19/03/2051
Name	**Principal £**	**Interest Rate**	**Start Date**	**Maturity Date**
Public Works Loan Board	410,581	3.900%	11/01/2006	11/03/2055
Public Works Loan Board	410,581	4.300%	13/04/2006	13/09/2041

Public Works Loan Board	410,581	4.400%	28/04/2006	30/09/2051
Public Works Loan Board	410,581	4.200%	23/05/2006	30/09/2047
Public Works Loan Board	1,231,744	4.400%	29/06/2006	29/09/2053
Public Works Loan Board	205,291	4.250%	19/07/2006	19/09/2055
Public Works Loan Board	615,872	4.250%	25/08/2006	25/09/2055
Public Works Loan Board	410,581	4.200%	31/08/2006	30/09/2051
Public Works Loan Board	615,872	4.200%	19/09/2006	19/09/2051
Public Works Loan Board	410,581	4.050%	29/09/2006	29/09/2051
Public Works Loan Board	1,231,744	4.250%	16/01/2007	16/03/2052
Public Works Loan Board	410,581	4.500%	11/04/2007	11/09/2054
Public Works Loan Board	410,582	4.430%	21/01/2008	21/09/2037
Public Works Loan Board	1,560,207	4.875%	08/08/2002	08/03/2027
Public Works Loan Board	5,000,000	2.540%	22/02/2017	15/05/2061
Public Works Loan Board	5,000,000	2.480%	28/02/2017	15/05/2062
Public Works Loan Board	5,000,000	2.350%	12/04/2017	15/05/2063
Public Works Loan Board	5,000,000	2.270%	19/04/2017	15/06/2064
Public Works Loan Board	5,000,000	2.280%	26/06/2017	15/08/2065
Public Works Loan Board	5,000,000	2.360%	21/07/2017	30/09/2030
Public Works Loan Board	5,000,000	2.400%	26/07/2017	30/09/2031
Public Works Loan Board	5,000,000	2.440%	26/07/2017	30/09/2066
Public Works Loan Board	5,000,000	2.370%	15/08/2017	31/03/2061
Public Works Loan Board	5,000,000	2.580%	25/09/2017	15/11/2059
Public Works Loan Board	2,000,000	2.540%	26/09/2017	15/11/2062
Public Works Loan Board	3,000,000	2.520%	27/09/2017	15/11/2064
Public Works Loan Board	2,000,000	2.520%	27/09/2017	15/11/2065
Public Works Loan Board	5,000,000	2.260%	06/10/2017	15/09/2028
Public Works Loan Board	5,000,000	2.500%	06/10/2017	15/09/2067
Public Works Loan Board	5,000,000	2.500%	19/10/2017	15/12/2059
Public Works Loan Board	5,000,000	2.500%	19/10/2017	15/12/2060
Public Works Loan Board	8,000,000	2.570%	16/11/2017	31/03/2057
Public Works Loan Board	6,000,000	2.490%	16/11/2017	31/03/2065
Public Works Loan Board	6,000,000	2.510%	16/11/2017	31/03/2062
Public Works Loan Board	4,000,000	2.550%	16/11/2017	31/03/2058
Public Works Loan Board	6,000,000	2.490%	16/11/2017	30/09/2066
Public Works Loan Board	4,000,000	2.160%	24/11/2017	31/03/2028
Public Works Loan Board	6,000,000	2.610%	24/11/2017	31/03/2049
Public Works Loan Board	5,000,000	2.530%	24/11/2017	31/03/2053
Public Works Loan Board	5,000,000	2.510%	24/11/2017	30/09/2033
Public Works Loan Board	5,000,000	2.520%	05/06/2018	15/01/2048
Public Works Loan Board	5,000,000	2.540%	10/07/2018	31/03/2047
Public Works Loan Board	3,000,000	2.370%	21/02/2019	31/03/2066
Public Works Loan Board	2,000,000	2.360%	26/02/2019	31/03/2063
Public Works Loan Board	3,000,000	2.380%	12/03/2019	31/03/2036
Public Works Loan Board	2,000,000	2.320%	25/03/2019	31/03/2036
Public Works Loan Board	2,000,000	2.410%	25/03/2019	31/03/2040
Public Works Loan Board	2,000,000	2.420%	25/03/2019	31/03/2041
Public Works Loan Board	2,000,000	2.350%	27/03/2019	31/03/2045
Name	**Principal £**	**Interest Rate**	**Start Date**	**Maturity Date**
Public Works Loan Board	2,000,000	2.350%	27/03/2019	31/03/2046
Public Works Loan Board	4,000,000	2.250%	28/05/2019	31/03/2068
Public Works Loan Board	3,000,000	2.280%	30/05/2019	31/03/2039

Public Works Loan Board	5,000,000	2.150%	06/06/2019	31/03/2068
Public Works Loan Board	5,000,000	2.140%	08/07/2019	31/03/2044
Public Works Loan Board	5,000,000	1.900%	13/08/2019	31/03/2064
Public Works Loan Board	5,000,000	1.730%	19/08/2019	31/03/2069
Public Works Loan Board	5,000,000	1.720%	05/09/2019	31/03/2050
Public Works Loan Board	5,000,000	1.850%	16/09/2019	31/03/2058
Public Works Loan Board	5,000,000	1.530%	17/09/2019	31/03/2030
Public Works Loan Board	5,000,000	1.950%	17/09/2019	31/03/2054
Public Works Loan Board	5,000,000	1.860%	23/09/2019	31/03/2040
Public Works Loan Board	5,000,000	1.810%	23/09/2019	31/03/2056
Public Works Loan Board	5,000,000	1.520%	23/09/2019	31/03/2031
Public Works Loan Board	5,000,000	1.740%	23/09/2019	31/03/2069
Public Works Loan Board	6,000,000	2.900%	06/12/2019	31/03/2059
Public Works Loan Board	5,000,000	2.430%	03/02/2020	30/09/2031
Public Works Loan Board	5,000,000	2.760%	03/02/2020	31/03/2055
Public Works Loan Board	5,000,000	2.240%	11/03/2020	31/03/2043
Public Works Loan Board	5,000,000	2.210%	11/03/2020	31/03/2051
Public Works Loan Board	1,666,667	1.420%	22/02/2017	15/05/2027
Public Works Loan Board	2,901,962	2.290%	26/07/2017	30/09/2042
	355,928,910			

Long Term Investments

Name	Principal £	Yield	Start Date	Maturity Date
European Investment Bank	3,000,000	4.439%	20/03/2024	15/04/2039
BNG Bank INV	2,000,000	4.284%	20/03/2024	15/05/2024
European Investment Bank	5,000,000	4.802%	03/06/2024	07/03/2044
International Bank for Reconstruction & Development	3,000,000	4.118%	18/07/2024	07/06/2032
European Investment Bank	2,000,000	4.551%	18/07/2024	07/03/2044
CCLA Property Fund	5,000,000	5.020%	n/a	n/a
	20,000,000			

Short Term Investments

Name	Principal £	Interest Rate	Start Date	Maturity Date
Aberdeen City Council	2,000,000	5.150%	07/06/2024	06/06/2025
Cheshire East Council	5,000,000	5.250%	28/05/2024	27/11/2024
Borough of Kingston Upon Hull	5,000,000	5.150%	06/08/2024	06/11/2024
Newport City Council	5,000,000	4.800%	09/09/2024	08/09/2025
Blackpool Council	5,000,000	4.850%	30/08/2024	30/06/2025
London Borough of Waltham Forest	5,000,000	4.850%	20/08/2024	20/05/2025
Chorley Borough Council	5,000,000	4.750%	30/09/2024	29/09/2025
DMADF	4,000,000	4.860%	04/09/2024	04/12/2024
Bournemouth Christchurch & Poole Council	5,000,000	4.820%	17/09/2024	15/01/2025
Goldman Sachs Money Market Fund	850,000	5.131%	n/a	n/a
CCLA Public Sector Deposit Fund	50,000	5.218%	n/a	n/a
Aviva Investors Money Market Fund	50,000	5.268%	n/a	n/a
Legal & General Money Market fund	3,600,000	5.220%	n/a	n/a
	9,550,000			

Cash & Cash Equivilants

Name	Principal £	Interest Rate	Start Date	Maturity Date
National Westminster Bank	271,359	3.000%	n/a	n/a
	271,359			

This page is intentionally left blank

TORBAY COUNCIL

Title: **Review of Section 106 & CiL Audit report**

Wards Affected: **All**

To: **Audit Committee** On: **27th November. 2024**

Contact Officer: **David Edmondson (Divisional Director - Planning, Housing & Climate Emergency)**
Email: **david.edmondson@torbay.gov.uk**

1. Key points and Summary

1.1 In June 2024 an audit report was issued into Section 106 & Community infrastructure Levy monies collected by the Council as mitigation for the harm caused by development. (Attached as Appendix 1) This looked at process, risks and performance management issues. This report is to update members on the progress towards addressing the risks outlined in that report and give a general understanding of what changes have been made.

2. Introduction

2.1 A follow-up Audit report was conducted in October 2024, feedback is being given to the team and it is understood that further update will be given at the January Audit Committee. The original report had made a number of recommendations, and these have been largely addressed, mainly through the implementation of the new Exacom System, a new role and joint working with other departments.

2.2 Torbay is in a defining period for the place. Government investment and private sector interest has been secured for the growth and aspiration plans of the Council and Community. Delivery of those plans and ensuring that the major projects and investment knit together and enhance our lived, built and natural environment in line with corporate plan will require additional investment. In addition to its own direct resources the Council can use s106 and Community Infrastructure Levy (CIL) to support delivery. This update sets out the challenges facing the Council in terms of using the Section 106 monies collected and remaining unspent, looks at the control mechanisms in place at present and proposes a new system of controlling s106 negotiation, prioritisation, recording and spend to ensure that this important area is fully aligned to our corporate objectives.

2.3 Torbay Council are in a similar situation that a lot of other Local Planning Authorities find themselves in whereby monies have been collected within planning s106 agreements to mitigate the harm from various developments, but the amounts collected have remained unspent some years on from when originally collected.

2.5 The Council have invested in a nationally recognised and widely used back office system called Obligations Office – 'Exacom' system, which will be referred to in the actions section later in the report. We also purchased the Public facing module to

allow for community groups, councillors and the public to self-serve and access information.

2.6 The issue that has been in existence for too long within the Council is that the negotiated pots of money are seen by individual departments as theirs for use on projects and for several different reasons a number of those projects have either not happened, or been delivered in a different way. As a result, pots of s106 monies have been accumulating and remaining unspent. This is in part due to the restrictive nature of the clauses within the S106 agreements.

2.7 To address this several actions are required. The first is to restate that these funds are paid to address harm created by a development and are required to be spent. These funds are not general Torbay Council monies and are for outcomes they are not exclusively and only for that service to use. Especially the legacy monies that remain unspent some considerable time after they should have been.

2.8 The second action is move to a model which ensures a greater level of control over the Section 106 monies, supported by accurate and timely monitoring and reporting with clear management information channels. Depending on the quality of reports that Exacom will produce, there could be the potential to also use Power BI too. These actions are the responsibility of the Planning Service with support from the Finance Team. The tool/mechanism for the management of the monies is the Exacom system.

3. Section 106 Monies

3.1 The new system has allowed for greater degree of control and monitoring of Section 106 Monies.

3.2 The current totals held for Capital projects (unspent) is £1,012,673 and for revenue £2,918,180. A proportion of these totals are committed and works scheduled to begin, but this finalised list has not been established yet. (In addition, there is a further £725,000 of revenue funding expected). Not all these monies are due to be spent yet and a more detailed breakdown of the 'unspent and nearing deadline for spend' has been produced.

3.3 As with CiL monies collected and spent, as detailed below, the details of Section 106 monies collected, spent and due can be found on the Council website at: https://pfm.exacom.co.uk/torbay/index.php

4. Community Infrastructure Levy monies

4.1 The CiL Neighbourhood Proportion Spend Panel has met regularly throughout the year and decided upon the awarding of CiL monies to a variety of different community led projects from steps and railings down to beaches to supporting some of our sports clubs in their improvement projects. Panels have good discussions ask detailed questions of project proposers and maintain minutes and Record of Decisions of the Spend Panels. The Brixham monies are handed directly to the Town Council and they make their own decisions about spend.

4.2 The current unspent Community Infrastructure neighbourhood proportion monies are detailed below:

Overall Neighbourhood CIL Available: £368,066.77.

Brixham: £10,223.88
Torquay: £185,210.44
Paignton: £172,632.45

However, the next spend panel on 3rd December has three applications for monies totalling @£42,000, from Torquay, were they to be approved.

These can be viewed on the Exacom system below:

Community Infrastructure Levy Dashboard

CIL Date Filter

01 January 2017 | 31 December 2035

NH Zone | Ward | Parish | Town

Select a filter to the left and enter your criteria here...

Reset

Allocation	Due	Collected	Allocated	Spent	Returned	Available
CIL Admin	8,051.07	134,585.79	0.00	0.00	0.00	134,585.79
Neighbourhood CIL	27,133.23	590,788.03	28,800.00	218,921.14	0.00	343,066.89
CIL Berry Head Strategic Planning	17,982.08	280,990.30	209,131.49	1,850.00	0.00	70,008.81
CIL South Devon Link Road -Strategic Planning	107,854.77	1,685,351.97	0.00	1,265,446.11	0.00	419,905.86
Total:	161,021.15	2,691,716.09	237,931.49	1,486,217.25	0.00	967,567.35

Click here to scroll up

Print Page

5. Risks

5.1 There are several risks to consider;

1. Council must be cautious in terms of spending collected s106 money on other projects. An evidenced and transparent risk-based approach is currently being adopted and subject linked schemes in same areas of the Bay are being agreed. The new section 106 agreements are written in a manner to allow for the greatest amount of flexibility over final spend, so this will help in the future and we are taking internal legal advice, verified by one of our outsourced legal firms to confirm the acceptability of such wording.

2. The potential for the Council to have to pay back unspent Section 106 monies to developers as they are beyond the agreed timescale in the Agreement and the Council has been approached to return the unspent monies. We have had several speculative FOI's, but only one or two, formal claim for return of monies paid. There could also be a risk of having to cover the developers cost of pursuing the unspent monies and again legal advice and clarification over this point is being sought. This specific risk has been added to the Planning Service Risks in the Risk Register.

3. The risk of s106 monies remaining unspent which increases the risk set out above and below at 4.

4. The risk of reputational harm, whereby the public and developers will lose confidence in the Council. Where having securing monies to help mitigate the harm caused by that development, the scheme goes ahead but the mitigation never happens as the Council did not spend the money in a timely fashion and has had to give it back to the developer. This risk is increased owing to the nature of the Exacom system and the publicly accessible data.

5.2 Monthly reports will now be produced for the Capital & Growth Board from the Exacom System to run totals on monies collected, allocated and spent and outstanding. To keep that board informed and to consider proposals for alternative uses of time-expired unspent contributions.

6. Actions

6.1 Ensuring that the information in Exacom is accurate is critical, at a stage before that, the Planning Officers need to ensure that the fact that there is a legal agreement attached to the planning permission, is noted in Uniform, the planning back-office system.

6.2 The key action of completing the detailed population of the Exacom System with accurate data from all the Deeds and checking of totals has now been achieved. A monthly working group has been set up with Planning and finance staff, checking on progress and accuracy of data and ensuring an ongoing dialogue. In addition a regular meeting between Divisional Directors in Planning & Finance also occurs.

6.3 A second part of this action around Exacom is to set up training sessions for the use of the various departments to understand the System and what needs to be inputted. The CiL & s106 Officer & Infrastructure Programme Officer to act as gatekeepers for the information on spend going forward. Whilst the Infrastructure Programme Officer was appointed to assist specifically with s106 spend within the Planning, Housing & Climate Emergency service, this role seems likely to expand to include supporting the Pride in Place Directorate and potentially beyond.

6.4 The officer group will in time also establish what are the priorities for future negotiated Section 106 monies and advise and assist in the development of another iteration of the Contributions Supplementary Planning Document.

6.5 The immediate challenge of dealing with the unspent, overdue monies, a key task of the group will be to develop a combined list of all Capital & Revenue projects and insist that the currently responsible Service Manager responsible for that element of the budget reports on each of the pots. The group will RAG rate those and determine whether they are:
GREEN – project ready, commissioned, committed, dates.
AMBER – some considerable certainty that the project is well advanced in its development and will be spent within the timescale detailed in the agreement and not become part of the unspent/overdue pot.
RED - unlikely to happen and monies can be re-directed to other projects, making a transparent and evidenced risk-based judgement as to the flexibility of its use for other purposes reflecting on wording in initial agreement.

6.6 Upon consideration of the RAG rated prioritised list of projects, the officer group shall make timely decisions on the re-direction of those unspent and non-committed monies. A number of catch-ups have been held with managers who historically have been responsible for these amounts and explanation sought from them about what is committed and timescales for spend. In some cases the intention of the

original spend is no longer relevant, or appropriate and so a case will be prepared to combine monies to be used in a different way in the same subject area. Those papers will be considered by Capital & Growth Board, several such cases are being prepared by the Green Infrastructure team for example.

6.7 The further work that was necessary to reconcile the information held on FIMS with that now populating the Exacom system, has been completed.

Specific further actions:

The Divisional Director will establish and publish, with advice from Capital & Growth Board the priorities for future negotiated Section 106 Agreements and help develop with Officers in the Planning team, the revised Supplementary Planning Document (SPD).

All spend will be through Exacom, no other authorisation will be permitted unless through that system and reconciled with FIMS.

Record of Decision notices will be used for decisions to divert monies to other projects, a system currently used by the CiL Neighbourhood Proportion Spend Panel.

Planning Service to co-ordinate enquiry responses into Section 106 Spend /payments, through FOI's, EIR's and Member Requests. As well as developing an easy-to-use guide for self-serving the information, via the online Exacom Public Facing Module.

Establish new s106 officer group, initial tasks as laid out above, and considers re-directed spend of Section 106 monies and sets out clear directions based on the Community & Corporate Plan. The Divisional Director will report up to the Capital & Growth Board and give updates on spend and running totals of total section 106 amounts and progress.

A prioritisation of those s106 monies, either overdue, or nearing deadline for potential repayment, for re-use elsewhere, with recommendations made to the Director of Pride in Place.

Schedule a further review of the Contributions SPD alongside the evidence gathering work for the review of the Local Plan, to ensure that priorities in that document align with the new Community & Corporate Plan.

7. Conclusions

7.1 With the introduction and now the final installation of the Exacom back office system it means that an extremely close eye can be kept on all Section 106 Spend. Key Officers are being supported and trained in the different areas of the council where monies have been collected for projects in their areas and an officer group is overseeing the spend and the proposals for alternative project spend and being reported to Capital & Growth Board.

7.2 The Annual Infrastructure Funding Statement, which details Section 106 & CiL spend, is being completed this month and will be shared with Members of this Committee upon its completion.

Appendices
Appendix 1 Section 106/CiL Audit Report June 2024
S106 and CIL 2023-24 - FINAL REPORT

Documents available in members' rooms
N/A

Background Papers:
The following documents/files were used to compile this report:

Government Advice: Planning obligations: good practice advice - GOV.UK (www.gov.uk)

Torbay Council Planning Contributions Supplementary Planning Document - planning-contributions-spd_2022.pdf (torbay.gov.uk)

Internal Audit Report
– Section 106 & CIL 2023-24
Torbay Council
July 2023 – Draft; June 2024 - Final

Official

devon audit partnership
Auditing for Achievement

Service Objective
To manage Section 106 (planning obligations) and CIL charges in relation to chargeable developments, from application through to charge and associated spend.

Audit Opinion
Limited Assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Risks or Areas Covered - key concerns or unmitigated risks	Level of Assurance
System (including integrations and hosted solution) – weak system controls leading to potential resilience or security issues	**Limited Assurance**
– *The need to establish contractual arrangements and associated monitoring;* – *High level of system Administrators;* – *Lack of local policy and procedure to support system management.*	
Exacom Project - Data Migration (CIL – All; S106 to date) fails to ensure complete and accurate data	**No Assurance**
– *Data quality of historic agreements. Associated financial impact on the Council;* – *Sole reliance on key individuals.*	
The CIL scheme is not administered effectively, or in line with statutory guidance	**Limited Assurance**
– *The need to comply fully with CIL regulations;* – *Sole reliance for monitoring CIL/S106 and lack of operational governance;* – *Lack of CIL project ownership within the organisation and associated financial impact on the Council;*	
These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed	

Introduction
If a planning proposal is generally acceptable but may have some adverse impacts upon the local infrastructure, the Local Planning Authority may seek to offset those impacts by securing planning obligations with the applicant to ensure and enhance the quality of development and to enable proposals that might otherwise have been refused to go ahead in a suitable manner. Section 106 Agreements are also known as 'Planning Obligations'. They are formal deeds between the Local Planning Authority, the applicant/developer and all others who have a legal interest in the land, such as a mortgage lender. CIL is a non-negotiable charge on certain types of development. It is charged at different rates dependent on the proposal and its location within Torbay.

There is a new Section 106 and CIL system (Exacom); it was agreed that we would evaluate the new CIL process, and aspects of the project implementation.

Executive Summary

The implementation of the new system (Exacom back office and the public facing module) along with the integrations, particularly into the Council's Finance and Income collection systems, and dedicated Officers to support the system and manage the obligations, provides the Council with a more robust technical solution within which planning obligations can be managed and associated income collected and spent in line with agreements going forward. However there is a need for a robust framework and process for the wider management.

Our concerns relate primarily to a number of key issues.

- Historic planning obligation records where the data quality and governance has been poor in a number of cases, and the lack of historic ownership of projects.
- The Council are now experiencing difficulties in aligning and linking historic income to agreements (with £2.7m of historic s106 monies unaccounted for and assumed by Finance to relate to data quality issues before 2002/03; the Finance view is it would be disproportionate in officer time to reconcile), and this exercise has identified:
    - income not having been consistently collected or allocated to projects;
    - collected income not having been spent, and not spent within agreed timescales and requiring return to the Developer;
    - income having been written off;
    - liability not being established within the source (Uniform system) resulting in loss of income;

The accuracy of the data in the Exacom system is initially reliant on the data input to the Uniform system by the Planning Officers, as such it is vital that Planning Officers ensure data is entered correctly to initiate an obligation in order for the liability to be raised in Exacom and income collected and allocated, thereby supporting complete, accurate and timely management of obligations going forward. Our review identified inconsistencies in these practices.

The Exacom system and the hosted service do not appear to be provided through an established contract, and we have been unable to identify any associated contract monitoring processes leaving the Council unable to maintain assurance in relation to system and data security, and system resilience. Whilst the system is clearly supported by a dedicated Planning Support Officer, and the associated S106/CIL obligations managed and monitored by a dedicated S106/CIL Officer, there is clear sole reliance in relation to these two members of staff, presenting single points of failure.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report.

Value Added

Evaluation of the CIL process following the transfer to the new system, and evaluation of system implementation aspects including the system control framework; the data migration processes; system integrations and controls related to the system being a hosted solution.

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. In our opinion, the following require inclusion within the annual governance statement:

- The need to enforce CIL and S106 project ownership, maximising potential for planning obligation income to be allocated and spent in line with agreements.
- The need to ensure monies are collected and allocated to projects, and to make any related accounting adjustments if required.
- The need to establish a CIL/S106 operational governance framework linked to the Council's strategic objectives.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Sam Wharton, Senior Auditor

Detailed Audit Observations and Action Plan

1. Risk Area: System (including integrations and hosted solution) – weak system controls leading to potential resilience or security issues:	Level of Assurance Limited Assurance

Opinion Statement:
In our opinion the Exacom system operates within a reasonable control framework in terms of Council processes, however the Limited Assurance relates primarily to the lack of contractual / service level arrangements between the Supplier and the Council both in relation to the software provision and hosting service, and associated monitoring by the Council.

There are some areas that require strengthening, in particular the urgent need to establish contractual / service level arrangements with the supplier, including the hosting provision, and establish contract/SLA monitoring processes; sole reliance on key individuals resulting in single points of failure; and the excessive number of users with System Administrator access which weakens the control framework and would benefit from review, based on the 'least privilege' approach.

Although parameter changes appear reasonably well controlled and we understand are primarily applied either by the System Administrators, IT, or the supplier, as previously noted this control is somewhat diluted by the high proportion of users with Administrator access. As recommended, the principle of least privilege should be applied.

As reported, there are issues in relation to key reliance, in particular on the Planning Support Officer who operates and maintains the Exacom system, and the S106/CIL Officer. Both roles are key in effective operation of the system, along with the associated processes. To alleviate an element of risk associated with key reliance, we identified a need for specific local policy and procedural documentation, in particular to support the system administration roles, and the local functions operated by the S106/CIL Officer.

The system is a hosted solution with the updates / new releases being driven by the Supplier. When a release is available this is notified to the Council and then updates are applied in liaison with the supplier using associated release notes and guidance.

The key integrations are between Uniform to Exacom, and Exacom to FIMS and Adelante. We have reviewed an element of integration from Uniform to Exacom within the migration review and CIL testing. Our annual review of ICT Key Financial Systems provides assurance that the FIMS and Adelante systems are included on the Council's software inventory and are appropriately managed.

We undertook a top-level review of the integration processes between Exacom, FIMS and Adelante. From the top-level review and through discussion with IT and Finance, the integrations appear to be established, with clear data flows, validations, and reconciliations. The integration provides a means for customers to pay via Adelante, for records to be maintained on FIMS, whilst also enabling debt monitoring and chasing through Exacom.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	We have been unable to obtain either of the two contracts related the hosting of the S106/CIL Software or the Public Facing Module. The contracts referenced on the contracts register (DN658645 (public facing), and DN355862 (CIL and S106 Software) are not held by Procurement, Planning or IT Services.	High	Clarify the contractual position with Procurement and/or Legal Services. The contractual position in relation to the hosted solution must also be determined	Agreed by September 2024 - Service Manager – Planning Support

	IT Services contacted the supplier to obtain a copy of the contracts, to which they stated, *'It appears that there isn't a contract as such, appears that the Exacom solutions have been acquired by way of a quote being issued and a PO being provided.'* In addition, they stated *'there is no contract Term, with the associated support and maintenance renewable annually'.* Various documents were provided to or obtained by Audit from various sources, including quotes/proposals, waiver documents, purchase orders, contract register entries, email strings, and maintenance renewal notices, but none of these contained any reference to the contractual obligations of Exacom/Idox and the Council in relation to the hosting of the system. Within the invoice there was reference to provision of a hosted solution, inclusive of training and Exacom integration with Idox systems. It details the contract period as a minimum period of one year. The quoted prices included upgrades resulting from legislative changes, updates, additional reports and documents, additional users, amendments, Helpdesk and User Forums. The Idox integration was to provide and configure the data exchange via the Idox Cloud Connector Framework (CCF) which integrates between the Exacom Obligations Suite and Uniform. The supplier also provided a copy of a 'Contract Addendum' related to the public facing module, suggesting that there is a contract in place. Given there is no apparent contract or SLA between the two parties, we are therefore unable to provide any assurance in relation to contractual arrangements.		and clearly understood, with clearly defined responsibilities outlined for each party. Given that the back-office element of the software is classified as 'Medium' risk from a DR perspective, it is vital that the Council has assurance that contractual / service level arrangements are complied with.	
1.2	Through discussion with IT and the supplier, we understand that there are a number of expected security and resilience measures in place, including annual penetration testing; back up arrangements; compliance with GDPR; accreditation to Cyber Essentials and ISO 27001; update processes; firewall protection; environmental controls, all of which provide a good level of assurance to the Council in relation to measures in place, albeit that we have not tested these as part of this audit and we are not aware that the Council is monitoring the supplier compliance. The Supplier offered to provide outcomes of Penetration testing, due to commence 5th September 2023. Previous years testing output could be provided to the Council however the supplier stated that they have refreshed a number of their server hardware	High	Once contractual arrangements are clarified, the Council needs to allocate responsibility for and undertake monitoring of the contract / SLA in relation to the software and hosting provision. This would provide the Council with assurance in relation to ongoing compliance by the Supplier. This should include requesting and obtaining the relevant information from the supplier in	Agreed by September 2024 – Service Manager – Planning Support to discuss with IT (Head of Systems)

	/ VM's in the last 9 months, therefore may be more beneficial to wait for this year's test output. Given that they stated that this 'could' be provided, we would conclude that it is not currently. Again, provision of this information would demonstrate an element of compliance to the Council and provide assurance in relation to the hosting service. Based on our review of the DR/BC document provided by the supplier, we would conclude that the practices stated should be something that the Council should be aware of. There are areas for consideration by the Council for example, the supplier's reliance on third parties; the potential data loss periods; fix and response times; the option for the Council to download their data nightly. The BCP/DR document also refers to responses as SLA as per contract, however as noted we have been unable to obtain either of the two contracts and the supplier themselves have stated that they do not believe there is one. We noted the response and fix times stated in the DR/BC document, although there is no established performance reporting by the supplier to demonstrate compliance.		order to undertake effective monitoring by the Council. Consideration should be given to aspects and associated risks of the supplier DR/BC provision, such as response and fix times; potential data loss periods; supplier reliance on third parties and any associated DPA responsibilities; provision of penetration testing outputs; and the potential option for the Council to download their data from the supplier to protect against supplier failure.	
1.3	Tutorial for System user Management has been reviewed and covers the expected information from a system functionality perspective. However, there are no local process/procedure notes in relation to the supporting user management practices i.e., management of starters, transfers, leavers, access amendments, reactivating accounts, periodic review of the user base etc. In relation to 'Leavers' and 'Transfers' we understand that the System Administrators do not currently receive the auto-notification from the Council's HR/Payroll (MyView) system and IT to provide timely notification and allow any related system amendments to specified users. Reliance would therefore be placed on manual notifications. The risk is reduced due to the small user base and the limited access in relation to leavers, who would be unable to access the system without access to the Council's network. Internal Audit have enquired of the MyView System Administrators and IT as to whether S106/CIL System Administrators could be added to the auto-notification.	Medium	Local user management processes and procedure should be developed to support the related Administrator functions. These should cross refer to the on-line system tutorials which outline the system steps from a functional perspective. These may include reference to the auto notification from MyView/IT if this can be set up.	Agreed by September 2024 – S106/CIL Officer and Service Development Technician.

1.4	As reported, there are no formal process/procedure documents to support user management administration. We understand that during the set up and ongoing migratory work in relation to S106, users with 'Administrator' access is greater than usual (13 out of the 20-user base). Given the system access and functionality that 'Administrator' roles give a user, there may be merit in exploring the setup of alternative user groups which would provide sufficient access but not full Administrator access to the current 13 users (i.e., applying the rule of least privilege) in order to maximise system security.	Medium	Review users with Administrator access to determine if further user groups could be set up to specifically align to functional requirements, operating on the principle of least privilege.	Agreed by September 2024 - S106/CIL Officer and Service Development Technician. *Note: The high level of Admin access is due to Obligations Office users who require Admin rights to undertake their role. Once this is complete these users will drop off the system.*
1.5	In v3.10 onwards, there is a new facility to delete applications within the Info tab. We understand that this functionality is not used as it would delete entire applications, and instead, the archive function is used. Although both actions would be recorded on the audit trail, there is a risk that an application could be deleted in error if this facility remains available.	Low	Investigate whether the functionality to delete applications can be 'disabled' to prevent the risk of applications being deleted in error.	Agreed by September 2024 – Service Development Technician.to liaise with supplier

2. Risk Area: Exacom Project - Data Migration (CIL – All; S106 to date) fails to ensure complete and accurate data:	Level of Assurance
	No Assurance

Opinion Statement:

We acknowledge the commendable work undertaken by the Planning Support Officer and the S106 and CIL Officer in relation to their ongoing review of historic records and resolution or arising matters. However, the process is hampered by engagement issues across the Council including it's subsidiaries and ongoing inconsistent data entry by Planning Officers.

In relation to CIL, we understand that a manual exercise was undertaken to review all applications on the Uniform system to ensure that where necessary, CIL liability had been applied. Applications were manually adjusted in consultation with relevant officers where CIL liability had not initially been recorded, and we understand this process remains ongoing. Following the adjustment, the Exacom system would then 'pull' this data through from Uniform. As such, there is no formal data migration record for Audit to review, and we therefore place reliance on the accuracy of the manual exercise being undertaken. The process has identified a number of issues, particularly with historic CIL records and these are being actively progressed as reported within Risk 3 of this report.

The S106 migration remains ongoing given the significant size of associated records. The internal work is supported by a contractual arrangement with the 'Obligations Office' who are working on deed files in order to upload them to the system. We have reviewed Obligations office documentation and Council records which identify records that have been corrected and subsequently flagged for input to the Exacom system, and, where appropriate the public facing portal.

Again, as reported, there are numerous data quality issues with the historic S106 records resulting in a number of key areas of concern, the most notable issue being approximately £9.2m of S106 monies unaccounted for at the time of the audit. Following the draft report, the Planning Team worked with the Finance Team and have reduced the value unaccounted for to £2.7m. The difference was found to relate to various issues including data quality, inconsistency in inclusion of capital, inaccurate recording of use of monies etc. Finance have assumed that the remaining £2.7m relates to records prior to 2002/03 where the same inconsistencies in data quality would likely be found. A decision has been made by the S151, that further details reconciliation would not be beneficial at this stage, instead relying on improved processes going forward.

We understand that internal processes linked to the new system will minimise the risk of future occurrence of these issues, however as noted, there are reliance issues related to these Offices that weaken the associated control framework.

In addition to the engagement issues around data, we understand that there is a view that teams (including subsidiaries) outside of planning should be tasked to deliver against the deed/project, acknowledging that use of the contributions from S106 or CIL need to be considered corporately rather than departmentally.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
2.1	We understand that the S106 migration exercise remains ongoing, with the Council (Planning Support Officer) undertaking a review of agreements, ensuring applications have S106 liability applied where applicable, and a matching exercise to correlate income received against spend on S106 projects. This is supported by a third party (Obligations Office) who are providing the service '*To process and redact S106 deed pdf files, reuniting of split deed parts into single deed document and upload into existing Exacom software*' via contractual agreement. Whilst there is no formal data migration documentation, there is a combination of monthly updates from Obligations Office in relation to delivery of their contractual work, and a spreadsheet maintained by the Council supporting the internal review of agreements, with corrective action being taken as identified, to allow 'correct' records to be pulled in to Exacom and subsequently made available on the Public portal. This is then evident on the system itself. From the ongoing exercise we understand that there are numerous issues with the historic S106 records. Of concern are the inaccuracies in record details; monies being spent after the agreement dates which could be clawed back from the Council; and the record keeping itself, which has resulted in the identification of S106 income totalling £19,656,340.63, with records supporting only £10,435,834.43 having been spent, leaving a balance of £9,220, 506.20 unaccounted for against S106 projects. Following the draft report, work has been undertaken and this figure reduced to £2.7m. In addition, a progress report from Obligations Office identifies that they have received, 1147 deed documents, which have been processed and redacted; they have reviewed 53 previously uploaded deeds. Of the 1147 deeds, 12 were identified as duplicates, leaving 1135 for upload of which 788 had been uploaded to date (i.e., as at the date of the report which was 27 July 2023). A total of 5 damaged/faulty deeds have also been	High	The S106 data accuracy issues identified in the migration exercise and the reconciliation process between Planning and Finance records, must be considered and addressed going forward to ensure that the quality of data entered into the Planning system and pulled into Exacom is as required to allow identification, collection and use of S106 monies in line with agreement clauses, and evident in associated financial and project records. Consideration be given to establishing greater collaboration and closer working between Planning and Finance.	Agreed by September 2024 – Divisional Director Planning, Housing and Climate Emergency, and S151 Finance and Service Development Technician undertook a reconciliation which resulted in a current unaccounted-for figure of £2.7m which is related to Capital spend in excess of 20 years old, hence no records held. There needs to be consideration of how this is reflected in Exacom. Going forward the aim is to achieve flexibility in spend, with a more strategic focus against priorities. It is intended that the Programme Officer role will support. Monthly Capital and Growth Board has a dedicated slot within which projects can be proposed and where permissible, S106 monies redirected. This requires a mechanism within which the proposals to Board are agreed with the Council's S151 Officer. Whilst migrating data into the new system building a comprehensive data set has been our primary focus in order to ensure the new system is as

	identified, all relating to 'pages missing'.			comprehensive as possible based on existing multiple data sources. Once data is consolidated into one system ongoing monitoring of collection will become easier and capacity to develop proactive monitoring of sites should be released There remains an ongoing concern with the quality of historic spend record keeping and the capacity of spending departments to unsure future spend is accurately documented. The Exacom system enables the Section 106/CIL officer to run exception reports to target investigations in this area. In addition, the Planning Service of the Future review has identified need for additional resources and has proposed the creation of a new Infrastructure Programme Officer Role. This post would support the documenting of strategic planning, strategic transportation and neighbourhood plan spend of Section 106 and CIL in the Exacom project module. It is also envisaged to provide capacity and contingency cover for the Section 106/CIL officer. Although the need for this post is accepted through the project an establishment control form is awaiting approval subject to funding identification.

2.2	It's clear that there are many and varied issues in relation to the data quality of historic S106 agreements resulting in potential financial and reputational loss to the Council. We understand that these issues are not likely to occur going forward due to the functionality of the Exacom system, coupled with the S106/CIL Officer. However, risks are still present in relation to data input, i.e., accurate and timely output is reliant on the quality of the input; and also, in relation to reliance on the S106 and CIL Officer, and the Planning Support Officer.	High	The sole reliance on both the S106/CIL Officer, and the Planning Support Officer present significant risk to the Council if either of these Officers were absent / no longer in post. Appropriate cover arrangements, including supporting process/procedure documents and structure knowledge management activities would go some way to minimising these risks.	The Planning Service of the Future review has identified need for additional resources and has proposed the creation of a new Infrastructure Programme Officer Role. This post would support the documenting of strategic planning, strategic transportation and neighbourhood plan spend of Section 106 and CIL in the Exacom project module. It is also envisaged to provide capacity and contingency cover for the Section 106/CIL officer. Although the need for this post is accepted through the project an establishment control form is awaiting approval subject to funding identification. Programme Officer Role appointment – January 2024 – Manager, Planning Support. **UPDATE**: the Programme Officer has been appointed and is now in post (from February 2024).

3. Risk Area: The CIL scheme is not administered effectively, or in line with statutory guidance:	Level of Assurance
	Limited Assurance

Opinion Statement:
Whilst we can see that the administration of the CIL scheme is improved through the Exacom system, the integrations with other systems, and the dedicated S106/CIL Officer role, there remains a key issue of Officer engagement to take responsibility for projects, thereby ensuring that collected income is allocated and spent in line with the CIL agreements. In addition, there is a lack of a CIL/S106 operational governance framework linked into a strategic approach.

In addition, although there are new monitoring processes in place, the initial step to trigger CIL liability is within the Uniform system and reliant on Planning Officers ticking and completing the appropriate field(s). In our opinion there remains a risk, albeit reduced from the previous status, that CIL liability may still be missed and potential opportunity for CIL income to the Council lost. The new system implementation identified a number of historic planning applications where CIL liability had not been flagged on the Uniform system, resulting in late issue of CIL demand notices and in some cases, income not collected resulting in a proportion being written off in consultation with Legal Services.

As reported, work remains ongoing to obtain historical records and match spend to CIL income received, resulting in what appears to be a significant level of unspent CIL monies.

The Exacom system and its public facing element, along with dedicated supporting staff provide a good level of control and, dependent on the quality of data input going forward, an increase in transparency related to CIL monies and the associated spend. However, a key area of concern is the sole reliance on the S106 and CIL Officer, the absence of whom would significantly weaken the control framework.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
3.1	In order to trigger the CIL liability being pulled through to the Exacom system for the demand to be raised, there is a requirement for Planning Officers to 'select' the CIL liability box within the Planning (Uniform) system as part of planning application data entry. We understand that despite numerous reminders to Planning Officers, the CIL liability step is not consistently completed, resulting in no liability being raised within the Exacom system and no demand being issued in some cases. Per Section 65 of CIL Regulations '*The collecting authority must issue a liability notice as soon as practicable after the day on which a planning permission first permits development*.' Given that the CIL liability is not consistently being flagged and liability notices may not be issued in all relevant planning application cases, there is a risk of Legal challenge and/or refusal to pay from a liable body/individual were a notice to be issued sometime after the planning development is permitted. It is vital therefore that regulations are strictly adhered to. We have been advised that reliance is placed on checks and	High	In line with CIL Regulations, section 65, the '*The collecting authority must issue a liability notice as soon as practicable after the day on which a planning permission first permits development*'. In order to maximise CIL income and mitigate associated risks of late / delayed issue of liability notices, it's vital that the Council strictly adheres to CIL regulations. To support this, Management should continue to instruct and remind staff of the need to ensure that CIL liability is applied within the Planning (Uniform system) as part of the planning	Agreed – reminders are sent and now the new Development Manager (Head of Service role that manages the Planners) is in post any potential training needs can be highlighted to the correct manager for action. It should also be noted that reports are produced, and weekly validation lists copied to the Section 106/CIL officer to mitigate the risk of CIL liability being missed.

	monitoring of reports from other sources, undertaken by the S106 and CIL Officer to review applications and adjust the Uniform system to apply CIL liability where required. Given this is a manual check and adjustment there remains a risk that CIL liability may not be triggered, and subsequent potential income lost.		application data input. There may also be merit in reviewing records relating to specific Planning Officers where issues are consistently identified in order to establish any further training needs.	
3.2	In one of our samples (Planning Application Number P/2021/1024, Liability Notice reference LN00000018 dated 16/3/2023) it was found that not only had a works commencement form not been completed, but this development had also not been identified through any other established monitoring processes. We understand that the S106/CIL Officer had personally witnessed that the works had commenced and clearly been ongoing for some time, whilst in the area in a non-work capacity. Following this, the S106/CIL Officer raised the associated CIL demand notice, albeit later than it would have been had the correct works commencement form been completed by the developer (TDA).	High	Processes to identify commencement of works should be reviewed to ensure that all commencements are accurately and timely identified, leading to timely issue of demand notices and associated collection of CIL monies.	Risks reasonably mitigated as outlined below. Given current resourcing constraints, no further mitigations can be applied at this time. Therefore, any residual risks are currently accepted by Management. The responsibility for notifying a commencement for CIL purposes sits with the developer. Although the Section 106/CIL officer monitors commencements notified through Building Control some developers will use approved inspectors, making this difficult. Where development commences without notifying the CIL authority the right to pay in instalments no longer applies and penalties can be applied.
3.3	Section 1.1 of the 'Accompanying Policies and Regulation 123 List' states that '*A "neighbourhood portion" of CIL must be spent in the neighbourhood in which CIL arises. When Neighbourhood Plans are in place, this will be 25%. The proportion will be 15% until Neighbourhood Plans are in place. "In place" is defined by CIL Regulation 59A(11)) as being "made" (adopted) and extant.*	High	In the current financial climate, it is more vital than ever that income is maximised. Therefore, it is critical that the issue related to lack of Neighbourhood forum project	Divisional Director Planning, Housing and Climate Emergency, and S151 – ongoing CIL Neighbourhood

	In the case of the Brixham Peninsula, the money will be passed directly to Brixham Town Council. For the "unparished" parts of Torbay (i.e. Torquay and Paignton), the Council will hold the money and spend it on matters agreed with the local communities. This will be used to support the infrastructure priorities identified by Community Partnerships and Neighbourhood Forums'. Records within the Exacom system detail a number of projects, however we are unable to fully align these with those detailed in the 'CIL Funds - Administration and Governance of Neighbourhood Proportion', Cabinet Record of Decisions, dated November 2022. Within the record of decision there was a stated requirement for the Divisional Director of Planning, Housing and Climate Emergency to present to Cabinet on 13 December 2022 a revised and streamlined bidding process to determine what local projects the Community Infrastructure Levy Neighbourhood proportion should be spent on. We note from the Council's website that both the Torquay and Paignton Forums ceased to exist in December 2022. We understand that this is related to a 5-year review period. For example, the Paignton Neighbourhood Forum area and forum were first designated in 2012. The Forum was last designated on 7 December 2017. A designation ceases to have effect at the end of the period of 5 years (beginning with the day on which it is made). Therefore, Paignton Neighbourhood Forum no longer has a formal status from 7 December 2022. This does not affect the validity of the adopted Paignton Neighbourhood Plan. This therefore suggests that in December 2022 when the CIL Neighbourhood proportion was to be defined, these particular neighbourhood plans were not technically in place. We have been advised that currently there isn't a forum for Paignton and nothing allocated to Churston or Brixham. We have been advised that the Council has collected approximately £384k in CIL income related to Neighbourhood forums, with approximately £8k accounted for and evidenced as spent. We understand that projects require ownership in order for the collected income to be allocated and spent, and the lack of ownership leading to the unspent monies.		ownership linked to CIL income be escalated to the Council's S151 Officer and Senior Leadership Team to establish and allocate ownership, ensuring the projects are set up and the CIL income appropriately spent in line with Government legislation.	Portion Spend Panel – S151 to be engaged in Panel. CIL Neighbourhood Portion Spend Panel held on 11 October 2023. This Panel makes decisions in relation to allocation of monies for Paignton and Torquay (with the same process applying to Broadsands, Churston and Galmpton). An application process with forms and guidance is in place. Brixham (Town Council) receive the money directly (automatic receipt of monies applies to Town and Parish Councils), however there is a current query from them in relation to this.

3.4	We have been advised about a project (CCTV Project) where not all the CIL monies have been spent (currently a £7.5k underspend). We understand that the underspend is still being held by the Council, which breaches the terms of the agreement that states any unspent monies not used within 3 months should be returned. This leaves the Council at risk of recovery by the developer and potential legal challenge. We understand that at present there is very little engagement from other areas, such as TDA and SWISCo. An example being the SWISCo spend (£6.5k) related to the building of a wall linked to an agreed project. Prior to this being uploaded to the public facing part of the system, efforts were being made by the Planning Support Officer to obtain a breakdown of the works and associated costs for the wall building. As stated, we understand lack of engagement has been an issue along with the lack of provision of supporting evidence. However, as part of the Audit, Internal Audit pursued these records and has been provided with some evidence of a proportion of the SWISCo spend. The Council's website lists a number of projects, albeit that these date back to 2017. We have been advised that in at least one of these projects, i.e., the resurfacing of the fish quay, works have never been undertaken. It is not clear whether the related CIL monies were ever allocated to this project or indeed where the monies are.	High	All of the historic CIL projects listed, regardless of where these records exist (i.e., website; council minutes; Exacom system), must be reviewed to determine the current status, including the receipt, allocation and associated spend of CIL monies. This may benefit from escalation to the Council's S151 Officer and Senior Leadership Team to support engagement within the Council (including its subsidiaries). Where monies have not been spent and, as per agreement clauses, are now outside of agreed dates, these monies must be returned to the associated developer/liable body. Whilst we have made recommendations to address the historical CIL records, the Council must ensure that, in order to support the new processes, the Exacom system provides, there is proper engagement in CIL projects across the Council (and its subsidiaries) going forward thereby ensuring CIL income is collected and spent in line with agreements, and proper records maintained.	Divisional Director Planning, Housing and Climate Emergency - timeframe for delivery of project is end of 2023/24. Expect to run reports September 2024. Refunds of monies and decisions re virements to be routed through Finance for review and will also require updates to relevant systems. Monthly reporting to Capital and Growth Board. Divisional Director Planning, Housing and Climate Emergency already receiving some reports from FIMS and other related systems. It is intended that reporting from the new Exacom system will more easily identify monies that should have been spent or refunded. Project is still in migration phase therefore reporting from Exacom will be dependent on project completion timescales as stated above.
3.5	The Council's website contains a planning list table that sets out the requirements that must be submitted for each type of planning application. This states that '*The local requirements ('the Local List') must be reviewed and updated every two years*', however the current list available is dated 2018 and therefore	High	The published information available via the Council's website must be up to date to ensure it meets and accurately reflects current guidance and	Revised local list published 1 November 2023

	should have been subject to review and update in 2020, and again in 2022.		legislative requirements. For example, the Local List for Validating Planning Applications.	
3.6	Currently there is one S106 and CIL Officer dedicated to the monitoring of CIL applications and issuing the CIL demands. This creates a sole reliance and presents associated risks to the Council of CIL liabilities being missed and demands not issued in a timely manner.	High	Given the sole reliance on the S106 and CIL Officer, Management should consider knowledge management practices, including development of process notes and training of other support staff to ensure ongoing monitoring and issuing of CIL liabilities in compliance with CIL Legislation, ensuring that CIL monies owed are collected or debt recovery processes applied in a timely manner.	Agreed by September 2024 - Manager, Planning Support. The Planning Service of the Future review has identified need for additional resources and has proposed the creation of a new Infrastructure Programme Officer Role. This post would support the documenting of strategic planning, strategic transportation and neighbourhood plan spend of Section 106 and CIL in the Exacom project module. It is also envisaged to provide capacity and contingency cover for the Section 106/CIL officer. Programme Officer Role appointment – January 2024 – Manager, Planning Support. **UPDATE**: the Programme Officer has been appointed and is now in post (from February 2024).

3.7	Linked to the observation at 3.6, discussions with Planning and Finance Officers did not identify an operational level governance framework. Whilst we acknowledge that decisions regarding amendment to CIL and S106 are the responsibility of the Divisional Director Planning, Housing and Climate Emergency under the Council's scheme of delegation, there is not an associated established governance practice in place operationally to enable wider and discussion and management in relation to areas such as monitoring usage of planning obligation monies, decisions in relation to the best use of the monies across a wider council remit, reconciliation of systems, and reporting transparency, including financial reporting.	High	Given both the legal and financial risks and until the issues identified in this report are fully resolved, consider establishing a wider operational governance framework in relation to both CIL and S106 that incorporates the s151 Officer's involvement and that this arrangement be formalised in the Scheme of Delegation.	Divisional Director Planning, Housing and Climate Emergency; S151; and Service Manager – Planning Support Service Manager – Planning Support to work with S151 to identify and agree reporting requirements and frequency; and to investigate and agree options for greater integration with Finance. Integrated meetings to commence with immediate effect, with reporting options being progressed January 2024. Visibility and flexibility at Capital Growth Board, with ongoing reporting, including development of reports from Exacom when project is completed. Various Exacom reporting options once requirements are understood i.e., Supplier could write bespoke reports; potential use of PBI; standard reports on system. Stronger links with a more formal role for Finance (reporting to S151) to support admin and management.
3.8	CIL regulations make provision for Enforcement by the Council where relevant criteria are met (e.g., non-payment). These include 'Surcharges – regulations 80 - 86'; 'Late payment interest – regulation 87'; 'Stop notices – regulations 89 - 94'; and 'Recovery of Community Infrastructure Levy – regulations 96 - 107'. To support this Enforcement, we understand that it is	High	The drafting, approval, adoption, and publication of a CIL debt enforcement policy should be completed to provide the Council with clear grounds for enforcement processes to be applied.	Agreed - Development Management Service Manager – revised due date – September 2024

	advised that the Council produce and publish a CIL Debt Enforcement Policy/Procedure. We have been advised that the drafting of this policy/procedure had been commenced but to date has not formally been approved or adopted.			
3.9	We have been advised that despite the demand notice being issued in March 2023 (Planning Application Number P/2021/1024, Liability Notice reference LN00000018 dated 16/3/2023), for the full amount of £325,579.87 (instalment options having been removed in line with policy) the TDA are refusing to pay stating that the then Section 151 officer had agreed to waive the charge. The S106/CIL Officer has since been attempting to obtain supporting evidence to this waiver, which as yet has not been received. The CIL policy does provide for 'Exceptional Circumstances Relief' which states that although CIL is not intended to be a negotiated item, the Council will consider offering exceptional circumstances relief as set out in CIL Regulation 55, which must be undertaken prior to works commencing, with the developer completing a viability report at a cost to themselves. In relation to Planning Application Number P/2021/1024, Liability Notice reference LN00000018 dated 16/3/2023, the CIL forms, one completed by the TDA, and one completed by the Architects acting on behalf of the TDA, did not include any self-notified eligibility or request for CIL exemption or relief.	High	In relation to Planning Application Number P/2021/1024, we would recommend that this issue now be escalated to the Council's S151 Officer to either request that TDA provide evidence supporting the alleged waiver of the CIL demand by the previous S151 Officer (totalling £325,579.87), or to enforce collection of the full amount including any enforcement penalties that may apply.	This recommendation has been raised with the Council's Section 151 Officer and the Director of Pride of Place. However, by way of an update the Council has decided to bring the functions currently sat within the TDA back to being within the core Council and this may have an implication. Development Management Service Manager – September 2024
3.10	In relation to Planning Application Number P/2021/1024, Liability Notice reference LN00000018 dated 16/3/2023, there remain outstanding queries in relation to the CIL amount linked to stated floor space, with the two CIL liability forms stating differing floor spacing.	High	The CIL liability related to Planning Application Number P/2021/1024 must be reviewed to confirm and agree the CIL charge value based on the correct floor space, following which an updated demand notice must be issued as required.	Agreed we will look into this further asap but note comment around TDA decision above. Development Management Service Manager – September 2024
3.11	Whilst there is a list of current projects, it is evident that not all of these have been undertaken as expected. Examples of this are the project for Maidencombe, where we understand that despite numerous efforts from the S106/CIL Team, there are no Council Officers taking ownership of the project and as such no CIL monies allocated for spend. In addition, we have been advised that one specific project listed	High	Ownership for the Cabinet agreed Maidencombe Project must be established in order for the project to be set up and income allocated and spent. This may require escalation to the Council's S151 Officer in order to establish potential	Refer to 3.3 above. Divisional Director Planning, Housing and Climate Emergency – monies are beginning to be spent, with Member engagement. Due to capacity these are not currently

	in Exacom relates to tree planting at Torbay Hospital. When this was followed up to evidence spend, we understand that the trees had been planted in Shiphay Lane and not on the Torbay Hospital site as required by the CIL, thereby leaving the Council open to a request for repayment of the CIL monies as they were not spent in line with the agreement.		ownership. In addition, there needs to be further investigation into the Torbay Hospital tree planting to determine whether the Council is at risk of any of the payment having to be returned.	followed up afterwards. Potential for the Infrastructure Programme Role (when appointed) to investigate reporting / evidencing to support, and to establish the process where projects fall through, and monies are not then spent. Programme Officer Role appointment – January 2024 – Manager, Planning Support. **Update from MI 04/03/2024:** Have now appointed an Infrastructure Programme Officer in late January 2024 (Erika Clouder). She has fitted in well is currently on probation and going through training and mentoring. Erika has been looking at some migration spend data with Sean Smith, training on finance and Exacom and cross-training so she and Nicky can support each other. There may be a bit of slippage on some of the dates whilst Erika gets up to speed and due to poor state of some historic spend data which Sean is attempting to improve prior to migration.
3.12	The Council's CIL charging schedule 2017 has been published and is available to the public through the Council's website. There is evidence supporting a review and update in line with regulations in 2020, and evidence of related fees and charges being uplifted within the Council's published Fees and Charges	Medium	In line with Government Guidance and to support charging transparency, the Council should publish CIL charges annually demonstrating	Service Manager Strategy and Project Management to review and consider by September 2024.

	(albeit this only relates to the charges for 'confirmation of compliance with an obligation'). However, the requirement to revise CIL charges annually based on the RICS CIL Index is not evident from published information, thereby reducing potential transparency in the associated charging. We noted an example at another Local Authority where published information demonstrated the charge revision https://www.shropshire.gov.uk/planning-policy/community-infrastructure-levy-cil/indexation-of-cil-rates/		revision to the charges based on the annual RICS CIL Index. The Council may wish to consider adopting a similar publication as per the example provided (Shropshire Council).	Considered low risk as notices references indexing.
3.13	Within the Authorities CIL policy there is a section that covers 'Exceptional Circumstances Relief Policy' which outlines the criteria for providing relief. We understand that the S106 and CIL Officer was unaware of the policy and to their knowledge no such relief has been granted by the Council to date. Where relief is granted, this must be appropriately authorised in compliance with the Council's scheme of delegation, and in line with CIL Regulation 55, which sets out the circumstances within which relief can be applied. In addition, there is a requirement for a viability study to be completed prior to commencement of works.	Medium	Regulations set out arrangements for specific reliefs from both CIL and s106, and there is delegated authority in the Officer Scheme of Delegation for the Divisional Director of Planning, Housing and Climate Emergency to consider and determine amendments to planning obligations (s106 and CIL) (Officer Scheme of Delegation 5.3 and 5.4). However, in the interests of transparent governance and given the high financial values involved, it is recommended that authority to approve such amendments to planning obligations requires the involvement of the Chief Finance Officer (as s151 officer). This could be achieved through changes to Officer Scheme of Delegation and the inclusion of an outline of the process in Financial Regulations at 13.25 (section 13 of Financial Regulations is Debtors). In addition, it is vital that relief applied is done so in line with the appropriate CIL regulation (CIL	Divisional Director Planning, Housing and Climate Emergency – Sept 2024

			Regulation 55, which sets out the circumstances within which relief can be applied), with all supporting steps completed, including completion of the viability study prior to commencement of works.	
3.14	There are Government regulations in place, along with Council policy and procedure for processing, determining liability, assessing a claim for relief, and application of the CIL charges. These are supported in part with the Exacom system tutorial videos which are provided and updated by the supplier, integrated into the system. Currently there are no documented procedures / policies in place for monitoring the allocation / spend of CIL monies and the associated debt recovery aspects.	Medium	Policy and procedural documentation should be established to address all elements of the CIL process, in particular those covering the how the allocation / spend of CIL monies will be monitored.	Procedures to be put in place by spending services in co-ordination with Planning as lead service for EXACOM. Part of Service Manager, Planning Support's team to monitor – December 2024.
3.15	Government CIL regulations states that '*Any local authority that has received developer contributions is required to publish an infrastructure funding statement (IFS) at least annually*'. Going on to state that '*For the financial year 2019/2020 onwards, any local authority that has received developer contributions (section 106 planning obligations or Community Infrastructure Levy) must publish online an infrastructure funding statement by 31 December 2020 and by the 31 December each year thereafter.'* In addition, Torbay Council's own website refers to the IFS, providing a link to it. However, the latest IFS relates to 2019-20, and was published in December 2020. We are unable to locate an IFS beyond the 2019-20 period. The Council does refer to CIL within its Authority Monitoring Report (AMR), that latest one being 2021-22, published in February 2023, however this does not cover all required information per the Government regulations set out below. In addition, the AMR includes a link back to the 2019-20 IFS. CIL reporting regulations state that: *'Charging authorities must report on CIL it has collected, or any CIL collected on its behalf. The report must be published on the authority's website no later than 31 December and include:* • *The total CIL receipts for the reported year;*	Medium	In compliance with Government CIL Regulations, the Council must publish an infrastructure funding statement at least annually. This must cover the reporting requirements stated in the regulations, specifically, the required report content and timeliness of publication.	Agreed - one not produced for last year. By April 2025 for 2024-25. To be investigated in relation to whether the Exacom System addresses the requirement – co-ordination of this to sit with Service Manager, Planning Support.

	• *The total CIL expenditure for the reported year;* • *Summary details of CIL expenditure during the reported year including:* • *The items of infrastructure to which CIL has been applied;* • *The amount of CIL expenditure on each item;* • *The amount of CIL applied to repay money borrowed, including interest, with details of the infrastructure items which that money was used to provide;* • *The amount of CIL applied to administrative expenses and that amount expressed as a percentage of CIL collected in that year; and* • *The total amount of CIL receipts retained at the end of the reported year*'			
3.16	We have been advised that during the data migration into Exacom a number of planning applications had been identified as not having been 'flagged' as being CIL liable when they should have been, and as such no demand notice was ever raised. We understand that this led to a small number being written off, in consultation with the Council's Legal department, with the reason for write off being related to the age of the application and the associated difficulties in pursuing and recovering a charge applied so long after the original application was made. We have not been provided with specific details about the amounts written off or whether any records were maintained, and as such are unable to provide assurance in relation to write-off compliance with the Council's Financial Regulations.	Medium	Given that CIL is considered a 'debt' to the Council, the CIL records must be maintained to evidence that any associated write-offs are undertaken in compliance with the Council's Financial Regulations and approved Officer Scheme of Delegation.	This appears to be a reference to historical CIL liabilities picked up during the migration to EXACOM underlining the more robust checks and balances in place reducing the risk of this happening in the future. Any decision not to pursue CIL would have been taken in discussion with the Council's Legal department. In the unlikely event this happens in the future we will ensure any write off is documented – with immediate effect and ongoing as required - Divisional Director Planning, Housing and Climate Emergency
3.17	Section 1 of the 'Self-build and Custom Housebuilding Act 2015' states that '*Each relevant authority must keep a register of (a)individuals, and (b) associations of individuals*'. In compliance with this part of the legislation, the Council's website states, '*to help the us better understand the local demand for self-build housing, we have created a register which records a list of individuals who are interested in opportunities to self-build in Torbay*'. However, the S106/CIL Officer was unaware of such a register and as such we are unable to confirm that this is in place and maintained.	Medium	In compliance with Section 1 of the 'Self-build and Custom Housebuilding Action 2015' the Council must keep a register of individuals and associations of individuals. As we were unable to establish the existence of such a register, we would recommend that a register is either established and	This register is kept by Strategic Planning, and they will share this with the Section 106/CIL officer - Service Manager, Strategy and Project Management - ongoing Note: *Whilst this might be best practice the Section 106/CIL Officer can perform their*

			maintained or, if already in place, the existing register made available to relevant staff (specifically the S106/CIL Officer).	*function without reference to this register of interest.*
3.18	Once CIL liability has been determined and the planning application agreed the developer is sent a CIL liability notice, detailing the CIL charge amount and payment terms. Payments can be made in instalments providing the developer informs the Council when works are due to commence. If they fail to do so, then the full amount is billed. The Liability Notice contains a section on the consequences of failing to follow the CIL payment procedures and provides a link to the government website for further details. However, we found this link to be incorrect, resulting in a 'webpage not found' message.	Medium	The Liability Notice must be reviewed and updated to ensure that any links to additional information i.e., to websites, function correctly.	These templates are prepared by the supplier EXACOM and we will request they are updated asap - Planning Support – July 2024

Appendix B

Scope and Objectives

The audit for 2023-24 was undertaken against key risks based on discussions with the department and Internal Audit's view on risk within the function. We had originally intended to address the following key risks:

- Section 106 contributions are incorrectly calculated.
- Related amounts are not collected or not spent in line with the s106 agreement.
- The CIL scheme is not administered effectively, or in line with statutory guidance.

However, due to the ongoing Exacom System implementation and associated data cleansing works, we revised the scope as agreed with the client to address the following current key risks:

- System (including integrations and hosted solution) – weak system controls leading to potential resilience or security issues.
- Exacom Project - Data Migration (CIL – All; S106 to date) fails to ensure complete and accurate data.
- The CIL scheme is not administered effectively, or in line with statutory guidance.

Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL–SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

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

Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors, or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks, and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Audit Committee Self - Assessment (CIPFA Guidance) 2024-25

Torbay Council

October 2024

devonassurancepartnership
Support, Assurance and Innovation

Introduction

Audit Committees are a key component of an authority's governance framework. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. In CIPFA's 2022 Position Statement, it states *'CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.'*

Executive Summary

The self-assessment identified much alignment with the principles of CIPFA's 2022 Position Statement. It is pleasing to note that Members felt that for the majority of principles only minor work was required, but they did highlight a few areas for the Audit Committee to address. These relate to changes to the Terms of Reference, production of an annual report, development of a training programme, undertaking regular training needs assessments, development of performance and feedback measures, and establishing an improvement plan.

The Internal Audit opinions expressed in this audit report are based upon a consultative facilitation role and it should be noted that we have not undertaken any verification activity to confirm the position set out during the self-assessment.

Areas Covered - key actions	IA Rating
Audit Committee Purpose and Governance - *Terms of reference compliance with the 2022 CIPFA Position* - *Annual Report by the Committee*	**Reasonable**
Functions of the Committee	**Substantial**
Membership and Support - *Establishment of formal training plan* - *Evaluation of training needs*	**Limited**
Effectiveness of the Committee - *Action plan for improvement* - *Formal evaluation of the Audit Committee on a periodic basis* - *Performance measures* - *Feedback on performance or added value*	**Reasonable**

Issues for the Annual Governance Statement

We recommend that the good practices and area for enhancement in relation to the Audit Committee's position against CIPFA's 2022 Position Statement is reflected in the Statement.

Acknowledgements

We would like to express our thanks and appreciation to the Audit Committee for their engagement in the self-assessment process.

Detailed Audit Observations and Action Plan

1. Area: Audit Committee Purpose and Governance:

Rating: Reasonable

Opinion Statement:
The 2022 CIPFA Position states *'The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.'* In order to meet this requirement, the Audit Committee should have a structure of governance that supports its independence and enables oversight that is accepted and respected within the Council.

The CIPFA self-assessment for this section covers areas such as independence of the committee, reporting and escalation lines, authority, terms of reference, performance of the audit committee and annual reporting by the audit committee. The majority of areas within this section of the CIPFA self-assessment scored well.

No.	Observation and Implications	Impact / Priority	Recommendation	Committee Response
1.1	The Terms of Reference does not currently set out and describe the purpose of the Committee in accordance with CIPFA's 2022 Position Statement.	Low	The terms of reference should be updated to clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement.	
1.2	The Audit Committee doesn't currently produce and publish an annual report in accordance with the guidance i.e. to include: ○ Its compliance with the CIPFA Position Statement 2022 ○ Any results of the annual evaluation, development work undertaken and planned improvements ○ How it has fulfilled its terms of reference and the key issues escalated in the year.	Medium	The Audit Committee should publish an annual report in accordance with CIPFA's 2022 guidance.	

2. Area: Functions of the Committee:

Rating: Substantial

Opinion Statement:
The 2022 CIPFA Position states *'The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.'* Within the CIPFA Position, these are titled as 'Maintenance of governance, risk and control arrangements', 'Financial and governance reporting', and 'Establishing appropriate and effective arrangements for audit and assurance'. The CIPFA self-assessment for this section covers areas such as the terms of reference covering the core functions, consideration of the core functions by the audit committee, and access to internal and external audit. All areas within this section of the CIPFA self-assessment were scored and there are no related recommendations.

3. Area: Membership and Support:	Rating
	Limited

Opinion Statement:
The 2022 CIPFA Position states *'To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre.'*

CIPFA states that the characteristics of audit committee membership are a trained membership, a membership that promotes good governance principles, a strong, independently minded chair, displaying a depth of knowledge, skills, and interest, willingness to operate in an apolitical manner, unbiased attitudes, the ability to challenge the executive and senior managers, and knowledge, expertise and interest in the work of the committee.

The CIPFA self-assessment for this section covers areas such as separation / independence, knowledge and skills of members and evaluation of these, the existence of a training programme that incorporates the 2022 CIPFA Guidance, and working relationships with the chief finance officer, internal and external audit.

Approximately half of this section of the CIPFA guidance scored well with the areas for enhancement being linked to formalised, regular training incorporating the 2022 CIPFA guidance and evaluation of training requirements.

No.	Observation and Implications	Impact / Priority	Recommendation	Commitee Response
3.1	Committee members commented that the membership has been appointed/selected to ensure the committee knowledgeable and skilled, but that this should be supported with formalised and regular training. It was noted that current training did not specifically cover the 2022 CIPFA Position and related guidance for Audit Committee members, and that not all members were aware of the guidance.	Medium	Establish a formal training programme for Members that incorporates the 2022 CIPFA Guidance.	
3.2	Members noted that whilst training had been received, there was no evaluation of knowledge, skills and the training needs of the Chair and Committee members which is expected to be undertaken every 2 years in line with the CIPFA guidance.	Medium	Every two years, evaluate the knowledge, skills and training requirements of Members.	

4. Area: Effectiveness of the Committee:

Rating

Reasonable

Opinion Statement:

The 2022 CIPFA Position states *'The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs'*, and *'As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance. The committee should evaluate its impact and identify areas for improvement.'*

The CIPFA self-assessment for this section covers areas such as feedback to the Audit Committee, meeting chairing, discussion and engagement, breadth of the committee's engagement across the organisation, and the evaluation of its impact on the organisation. The majority of areas within this section of the CIPFA guidance scored well. Areas for improvement were found to be in relation to feedback to the Audit Committee, evaluation of the added value the Audit Committee delivers and the need for an action plan to address areas of weakness.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
4.1	The Audit Committee does not have an action plan to ensure its development. Areas have been identified through this self-assessment which could form the basis of an initial action plan. Moving forward the plan could be monitored and revised by the Audit Committee as part of the ongoing meeting schedule.	Medium	Create an action plan for development of the Audit Committee and monitor progress against the agreed actions.	
4.2	Members advised that they had not formally evaluated how the Audit Committee adds value to the organisation.	Medium	Determine how performance of the committee can be measured and regularly review and report on performance against those measures. These measures should include the delivery of added value.	
4.3	The Audit Committee advised that it does not receive much feedback on its performance. It was noted by Members that they had not received any negative feedback.	Medium	Consider how to obtain feedback on the performance of the Audit Committee e.g. from other Committees, Overview and Scrutiny, Full Council, Officers and External Organisations interacting with the Committee. Once established, determine how the feedback outcomes will be collated and reported to the Audit Committee.	

Scope and Objectives

The Internal Audit plan for 2024-25 was presented and approved by the Audit Committee in March 2024. It included an Audit Committee Self-Assessment to be based on the 2022 CIPFA document 'Audit Committees Practical Guidance for Local Authorities and Police'.

CIPFA describe the aim of the guidance as '*to support you in your time as an audit committee member'* and the aim of the Devon Assurance Partnership in our work was to guide Members in a self-assessment exercise covering the following question areas set out the guidance:

- Audit Committee Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

We worked through the self-assessment questions in a facilitation role. We have reported the outcomes and where applicable made recommendations to support the Audit Committee in its further development.

Inherent Limitations

Important Note - The opinions and recommendations contained within this report are based on our facilitation of the self-assessment and recording of the discussions. We have not verified the comments made, however our relationship with the Audit Committee means we have an awareness of their activities and regularly see the Audit Committee in action at committee meetings.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL–SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Tony Rose, Head of Partnership
Jo McCormick, Deputy Head of Partnership

Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Definition of Recommendation Priority

High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

Devon Assurance Partnership

The Devon Assurance Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

TORBAY COUNCIL

Meeting: Audit Committee **Date:** 27th November 2024

Wards affected: All Wards in Torbay

Report Title: External Audit Fees and Future Options

Cabinet Member Contact Details:

Councillor Alan Tyerman**,** Alan.Tyerman@torbay.gov.uk

Director/Assistant Director Contact Details:

Paul Matravers, Head of Corporate Finance, paul.matravers@torbay.gov.uk

1. Purpose of Report

1.1 At the meeting of Overview & Scrutiny Board on 7th August 2024, the agenda item in respect of the 2024/25 Q1 Budget Monitoring included an update on the audit of the Council's statement of accounts.

1.2 The Director of Finance provided an update on the national issues regarding the backlog of external audit and the strain on the sector. In addition, a discussion was held with respect to the audit fees applicable and how the fee for the audits were set.

1.3 This report provides details in respect of the request from the Overview and Scrutiny Board that the Audit Committee review the Public Sector Audit Appointments (PSAA) Framework for External Audit and explore future options and report back to the Overview and Scrutiny Board.

2. Recommendation(s) / Proposed Decision

That audit committee note the report which details:

a. the review of the Public Sector Audit Appointments (PSAA) Framework for External Audit
b. the future options available to the Council on the delivery of the annual audits

3. Introduction

3.1 As per the Local Audit and Accountability Act 2014 legislation, annually the Council is required to publish draft Statement of Accounts (unaudited) and audited Statement of Accounts by dates set in legislation.

3.2 In terms of the auditing of the accounts and the selection of the company who undertake this piece of work, the council has the option of appointing its own auditors or to sign up to the Public Sector Audit Appointments (PSAA) Framework for External Audit. Further details in respect of these options are detailed in **section 6**.

3.3 The Council chose to 'opt in' to the national scheme for appointing auditors in 2017. The opt in was for a 5 year period and Council approved the decision to opt in for a further 5 years in December 2021.

3.4 Under the national scheme the PSAA board approved the appointment of Grant Thornton (UK) LLP to audit the accounts of Torbay Council for a period of five years, covering the accounts from 1 April 2023 to 31 March 2028. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

3.5 In addition to the audit of the Statement of Accounts audits are undertaken on a number of other areas not all of which fall within the national auditor appointment scheme. The areas are:

- Certification of Housing Benefit Subsidy
- Teachers Pension Scheme Certification
- Harbour Audit

4. The role of the PSAA

4.1 Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014.

4.2 PSAA is a not-for-profit company limited by guarantee without share capital. The company's sole member and guarantor is the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). PSAA is operationally independent of both organisations.

4.3 In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

4.4 Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.

4.5 PSAA has a responsibility to deliver the following objectives:

- appointing auditors to all relevant authorities;
- setting scales of fees, and charging fees, for the audit of accounts of relevant authorities and consulting with relevant parties in relation to those scales of fees;
- ensuring effective management of contracts with audit firms for the delivery of consistent, quality and effective audit services to relevant authorities;
- ensuring that public money continues to be properly accounted for and protected;
- being financially responsible having regard to the efficiency of operating costs and transparently safeguarding fees charged to audited bodies;

5. Becoming an opted-in authority

5.1 In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible principal local government bodies to become opted-in authorities.

5.2 The length of the appointing period covered by the opt-in invitation is for the audit of the accounts for the five consecutive financial years from 1 April 2023. A total of 475 bodies eligible to join the scheme at the time of the opt-in period in 2021, 470 (99%) took the decision to opt in.

5.3 The objective of the opt-in option was that the sector work together in a co-ordinated, collaborative scheme at a time when the local audit market is facing unprecedented challenges and risks affecting the supply of audit services and the delivery of timely audit opinions.

6. Options to appoint an external auditor

6.1 There were three ways to appoint an auditor for the five financial years from 2023/24:

- undertake an individual auditor procurement and appointment exercise;
- undertake a joint audit procurement and appointing exercise with other bodies, those in the same locality for example; or
- join PSAA's sector led national scheme.

6.2 All of the above options required a local auditor to be appointed not later than 31 December in the financial year preceding the financial year of the accounts to be audited. For the audit

of the accounts of the 2023/24 financial year, the local auditor had to be appointed by 31 December 2022.

Individual or joint procurement (options 1 and 2)

- The legislation requires the establishment of an independent auditor panel. Guidance on auditor panels was issued by CIPFA in 2017 for local government bodies: CIPFA guidance on auditor panels.

PSAA's national scheme (option 3)

By joining the scheme, bodies can:

- avoid the necessity to establish an independent auditor panel (detailed requirements specified by the Local Audit & Accountability Act, 2014);
- avoid the need to manage their own auditor procurement;
- benefit from PSAA undertaking a robust process to validate fee variation proposals; and
- assuming a high level of participation, be able to support market sustainability and encourage realistic prices in a challenging market.

7. Audit Scale Fee Setting and Review

7.1 The duty to specify scales of fees is one of PSAA's statutory functions as the appointing person. When setting the scale fee, there is a consultation with opted-in authorities, relevant representative associations of local authorities and relevant bodies of accountants. Other key stakeholders are also consulted to ensure that the consultation is as comprehensive and as productive as possible.

7.2 The fee scale is set each year based on the fee scale applicable for the previous year, adapted where possible for changes in audit requirements. Auditors may subsequently find it necessary to carry out more or less audit work than the level envisaged in the scale fee in order to give their audit opinion. This may be because after the fee scale was set requirements changed, or it may be due to changes in local circumstances.

7.3 The regulations allow for more or less fees to be payable where substantially more or less work is required. Additional or reduced fees are evaluated under the fee variations process and are subject to PSAA approval. Where the change in audit work is required on an ongoing basis, the scale fee is updated to reflect the change.

7.4 Non-recurrent changes the scale fee are dealt with through one-off fee variations on an annual basis. The PSAA approve proposed variations to the scale fee for an individual opted-in authority, to reflect changes in circumstances.

7.5 The PSAA obtain updated fee information from appointed auditors, and explanations for any proposed variations from the scale fee, on a regular basis. Consideration of the

reasonableness of the explanations provided by auditors is reviewed before agreeing to any variation to the scale fee.

7.6 Scale fees are based on the expectation that the Council can provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

8. Future Options available to the Council

8.1 As the Council has 'opted in' to the national scheme for appointing auditors for the period covering 1 April 2023 to 31 March 2028, there are no options to 'change' the auditors who undertake the main audit of the Statement of Accounts before the 31 March 2028. The Council will continue to feed into the annual consultation regarding the scale fee.

8.2 There is an option to review the other areas which require an annual audit but which are not included in the national scheme to seek value for money, these audits are detailed in 3.5.

8.3 The Council recently tested the market in respect of the audit of the Teachers Pension Fund and appointed a different body to undertake the audit. This resulted in a saving for the Council and the audit was undertaken in line with plan and delivered efficiently.

8.4 The Council can undertake the same exercise on the audit in respect of the Certification of Housing Benefit Subsidy to understand if there are alternatives to the current provider whilst ensuring that the required outcomes are delivered and value for money considered.

8.5 The Council will undertake this review with the provider being in place to undertake the 2025/26 Housing Benefit Subsidy audit.

9. Tackling Climate Change

9.1 Not applicable

10. Associated Risks

10.1

11. Identify the potential positive and negative impacts on specific groups

11.1

	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			X
People with caring Responsibilities			X
People with a disability			X
Women or men			X
People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community)			X
Religion or belief (including lack of belief)			X
People who are lesbian, gay or bisexual			X
People who are transgendered			X
People who are in a marriage or civil partnership			X
Women who are pregnant / on maternity leave			X
Socio-economic impacts (Including impact on child poverty issues and deprivation)			X
Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			X

12. Cumulative Council Impact

12.1 Not applicable

13. Cumulative Community Impacts

13.1 Not applicable

Audit Committee Work Programme 2024/2025

Date of Meeting	Report Title
29 January 2025	• Internal Audit - Half Year Report including the outcomes of the Follow Up on Areas Requiring Improvement • 2025/26 Treasury Management Strategy • 2023/24 Torbay Council Audit Findings Report (Grant Thornton) • 2023/24 Statement of Accounts including Annual Governance Statement • Strategic and Corporate Risk Report • Performance Update: Collection of Council Tax & Non-Domestic Rates • Progress against Corporate Peer Challenge Action Plan • Audit Committee Update • RIPA Update • Fraud 6 monthly Update • Audit Committee Workplan
26 March 2025	• Internal Audit Plan • Internal Audit Charter and Strategy • Fraud and Error Annual Plan • Strategic and Corporate Risk Report • Audit Committee Workplan

This page is intentionally left blank