

Agenda

Audit Committee

Date: Wednesday, 13 December 2023

Time: 14:00

Venue: Civic Space, Council Offices, 16 Church Street, Dumbarton
G82 1QL

Contact: Ashley MacIntyre, Committee Officer
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Dear Member

Please attend a meeting of the **Audit Committee** as detailed above.

The business is shown on the attached agenda.

Yours faithfully

PETER HESSETT

Chief Executive

Distribution:

Councillor Karen Murray Conaghan (Chair)
Councillor Ian Dickson
Councillor Jonathan McColl (Vice Chair)
Councillor James McElhill
Councillor Michelle McGinty
Councillor John Millar
Councillor Martin Rooney
Councillor Hazel Sorrell
Mr C Johnstone

All other Councillors for information

Chief Executive
Chief Officers

Date of issue: 30 November 2023

AUDIT COMMITTEE
WEDNESDAY 13 DECEMBER 2023

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

3 MINUTES OF PREVIOUS MEETING 5 – 6

Submit for approval, as a correct record, the Minutes of Meeting of the Audit Committee held on 9 August 2023.

4 OPEN FORUM

The Committee is asked to note that no open forum questions have been submitted by members of the public.

5 INTERNAL AUDIT PLAN 2023/24 – PROGRESS TO 15 NOVEMBER 2023 7 – 25

Submit report by Chief Officer – Resources advising of progress at 15 November 2023 against the Internal Audit Plan for 2023/24, of recently issued Internal Audit reports and action plans and the status of implementation progress in relation to action plans from previously issued Internal Audit reports.

6 TREASURY MANAGEMENT ANNUAL REPORT 2022/2023 27 – 41

Submit report by Chief Officer – Resources advising of the operation of the treasury function and its activities for 2022/23 and requesting that the report is remitted to full Council for approval.

7 TREASURY MANAGEMENT MID-YEAR REPORT 2023/24 43 – 57

Submit report by Chief Officer – Resources advising of the operation of the treasury function and its activities to 30 September 2023 and requesting that the report is remitted to full Council for approval.

8 SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS 59 – 67
REPORT 2022/23

Submit report by Chief Officer – Citizen, Culture and Facilities presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2022 – 31 March 2023.

AUDIT COMMITTEE

At a Meeting of the Audit Committee held in the Council Chambers, Clydebank Town Hall, 5 Hall Street, Clydebank, on Wednesday, 9 August 2023 at 10.00 a.m.

Present: Councillors Karen Murray Conaghan, Ian Dickson, Michelle McGinty and Martin Rooney, and Lay Member Mr Christopher Johnstone.

Attending: Peter Hissett, Chief Executive; Laurence Slavin, Chief Officer – Resources; Victoria Rogers, Chief Officer – People and Technology; Gail MacFarlane, Chief Officer – Roads and Neighbourhood; Julie Slavin, Chief Finance Officer, Health and Social Care Partnership (HSCP); Andi Priestman, Shared Service Manager – Audit and Fraud; Michelle Lynn, Asset Co-ordinator; Andrew Cameron, Section Leader – ICT and Ashley MacIntyre, Committee Officer.

Apologies: Apologies for absence were intimated on behalf of Councillors Jonathan McColl, James McElhill, John Millar and Hazel Sorrell.

Councillor Karen Murray Conaghan in the Chair

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

MINUTES OF PREVIOUS MEETINGS

The Minutes of Meetings of the Audit Committee held on 3 May 2023 (Ordinary) and 8 June 2023 (Special) were submitted and approved as correct records.

OPEN FORUM

The Committee noted that no open forum questions had been submitted by members of the public.

INTERNAL AUDIT PLAN 2023/24 – PROGRESS 18 JULY 2023

A report was submitted by the Chief Officer – Resources advising of progress, at 18 July 2023, against the Internal Audit Plan for 2023/24.

After discussion and having heard the Shared Service Manager – Audit and Fraud and the Chief Finance Officer, HSCP in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report.

PUBLIC INTEREST DISCLOSURES AND OTHER INTERNAL AUDIT INVESTIGATIONS 19 JANUARY TO 18 JULY 2023

A report was submitted by the Chief Officer – Resources advising of the outcome of investigations into allegations and disclosures in line with public interest disclosure and business irregularities policies, received by Internal Audit between 19 January and 18 July 2023.

After discussion and having heard the Shared Service Manager – Audit and Fraud and the Chief Officer – People and Technology in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report.

STRATEGIC RISKS 2022–2027

A report was submitted by the Chief Officer – People and Technology providing an update on the strategic risks for 2022-27.

After discussion and having heard the Chief Officer – People and Technology, the Chief Officer – Resources and the Chief Executive in further explanation of the report and in answer to Members' questions, the Committee agreed to note the strategic risks as detailed at Appendix 1 of the report.

The meeting closed at 10.30 a.m.

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 13 December 2023

Subject: Internal Audit Plan 2023/24 – Progress to 15 November 2023

1. Purpose

- 1.1** The purpose of this report is to advise Members of progress at 15 November 2023 against the Internal Audit Plan for 2023/24.
- 1.2** The report also advises Members of:
- recently issued Internal Audit reports and action plans
 - the status of implementation progress relating to action plans from previously issued Internal Audit reports.

2. Recommendations

- 2.1** It is recommended that Members note the contents of this report.

3. Background

- 3.1** The annual audit plan for 2023/24 was approved by the Audit Committee on 8 May 2023. This report provides information on the progress in implementing the plan.
- 3.2** When audit reports are issued by Internal Audit, an action plan is agreed with management in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored by Internal Audit on a monthly basis and reported to the Audit Committee.

4. Main Issues

- 4.1.** The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Shared Service Manager – Audit & Fraud to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- 4.2** In accordance with the risk-based audit methodology, for each audit, one of four audit opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.

Requires Improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

- 4.3** Detailed findings and recommendations reported to management are graded using the following criteria:

Red	In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with Internal Audit) within reasonable timeframe. Overseen to completion by Chief Officer/Head of Service.
Green	In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit. Managed by service owner. Not reported in Audit Committee papers.

- 4.4** There were two audit reviews finalised since the last Audit Committee in August 2023:

Non-Domestic Rates

- 4.5** Non Domestic rates (NDR) is the charge levied on most non-domestic properties such as shops, offices, pubs, warehouses, factories and other rental properties. It is calculated through the property's Rateable Value, which is determined by the Scottish Assessors Office. Some non-domestic properties will be exempt or eligible to claim NDR Reliefs.
- 4.6** West Dunbartonshire Council Finance Service Centre (FSC) is responsible for ensuring all relevant non-domestic properties within the Council area are invoiced accurately, timeously, for applying any relevant NDR reliefs correctly and ensuring all monies are collected. During 2022/23 the total net NDR income for West Dunbartonshire Council was £86.7m.
- 4.7** The objective of this audit was to assess the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to the NDR process.

- 4.8** The review focused on the high-level NDR processes and procedures and concentrated on identified areas of perceived higher risk such as all liable properties within West Dunbartonshire were not correctly identified, valued and billed; arrangements were not in place to process NDR reliefs correctly; and NDR reconciliations were not being completely and accurately performed.
- 4.9** The overall control environment opinion was **Satisfactory**. Three AMBER issues were identified as follows:

Lack of review of the NDR Weekly Running Roll

The Revenue and Support Team send the valuation output reports to the NDR Team on a weekly basis for checking rateable values and the completeness and accuracy of chargeable properties. A detailed spreadsheet accompanies the reports and should be signed off to record that the check has been completed. However audit testing of five weekly running rolls identified that the spreadsheets were not signed off as checked and dated in all five cases.

Where evidence of the check is not recorded, management cannot be confident that the check of the weekly running roll is carried out which may result in chargeable properties not being completely and accurately recorded in the NDR ORBIS system and invoiced correctly.

Ongoing Discrepancies between Assessor and Finance NDR Records – Self-catering Units

The December 2022 quarterly reconciliation highlighted discrepancies between the Assessor and NDR ORBIS system records in relation to self-catering units (SCU). Since 2021/22 the NDR team have been experiencing issues whereby a small number of SCUs are not being updated correctly. The NDR team has sought guidance from the assessor on how to treat these cases but has not sought any technical advice from the supplier Northgate or WDC ICT for possible system solutions. Manual workarounds are therefore put in place to reconcile the year end running rolls for 2022 and 2023. Findings recorded for the year ending 31 March 2022 had three properties which required a manual end date to be entered, however this number has increased to twelve. This issue is still to be resolved.

Manual workarounds introduce the risks of fraud or error.

Lack of Independent Review of NDR Relief Applications

NDR reliefs are awarded to ratepayers if they meet established eligibility. The audit focussed on five types of relief based on the highest values awarded during 2022/23. It identified that applications for the Small Business Bonus Scheme Relief and the Empty Property Relief are not independently checked by an independent NDR Team officer.

Where there is no independent review there is a risk that the relief applied is not valid or the applications are not completely and accurately processed.

- 4.10** The audit identified seven issues, three of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2024.

HSCP – Petty Cash Imprests

- 4.11** An imprest account (or petty cash account) is an advance of money given to a service or establishment to allow payment of cash for smaller items in stores with whom the Council does not have a credit account. The HSCP currently has 13 establishments with an imprest account with balances ranging from £150 to £1,950.
- 4.12** Imprests are set up through the use of a bank account, whereby funds are transferred (by BACS) from the main WDC bank account to the establishment imprest bank account. Thereafter, designated employees are able to withdraw cash in accordance with banking guidelines.
- 4.13** The objective of this audit was to assess the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by the Council in relation to Petty Cash Imprests.
- 4.14** The scope of the review covered all key processes for petty cash imprests which was reviewed through a control self-assessment exercise to confirm that controls and procedures were being followed or highlight any required control improvements.
- 4.15** The overall control environment opinion was **Satisfactory**. Areas of good practice were identified including:
- reimbursement requests were within authorised limits.
 - imprest funds were appropriately secured.

Two AMBER issues were identified as follows:

Lack of Segregation of Duties

Segregation of duties is a key internal control intended to minimise the risk of fraud and error by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties.

The audit identified a lack of segregation of duties at seven of the thirteen establishments which operate a petty cash imprest account due to single person dependencies operating at these establishments.

Where appropriate segregation of duties is not in place this increases the risk of fraud or error going undetected.

Adequacy of Procedures

The guidance for the operation of petty cash imprest accounts namely 'Petty Cash Accounts and Petty Cash Procedures' was last updated in 2015 and lacks sufficient guidance for staff involved in the day to day operation and management of petty cash imprests. The audit did however identify that local procedures have been developed in one service area to ensure consistency of approach.

Where there is no regular review of petty cash procedures, there is a risk that staff follow processes which may be out of date and could carry out tasks incorrectly.

- 4.16** The audit identified four issues, two of which we consider to be individually significant and an action plan is in place to address all issues by 30 April 2024.
- 4.17** The status of the 2023/24 audit plan is attached at Appendix 1.
- 4.18** In relation to audit work for the Integration Joint Board, the 2022/23 audit plan is complete and the agreed audit plan for 2023/24 is now underway with regular reporting to the Integration Joint Board Audit & Performance Committee.
- 4.19** In relation to the Valuation Joint Board, planning for the 2023/24 audit plan has not started.
- 4.20** In relation to the Leisure Trust, planning for the 2023/24 audit plan is underway.
- 4.21** Internal and External Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There was one action due for completion by the end of October which has been reported as completed by management. The status report at 31 October 2023 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- 4.22** The Corporate Fraud team's day to day work continues to focus on referrals relating to council tax reduction/single person discounts, joint working with DWP in relation to housing benefit and council tax reduction, referrals relating to housing tenancies and investigating relevant national fraud initiative matches.
- 4.23** The Internal Audit Team and the Corporate Fraud Team continue to work together as appropriate in order to ensure a joined-up approach to fraud investigation and detection for example in relation to whistleblowing enquiries.

National Fraud Initiative

- 4.24** The National Fraud Initiative is a series of biennial exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a set timescale and report back on any savings.
- 4.25** The matches for the 2022 exercise have now been received and investigations are underway. To date 667 matches have been investigated with 8 frauds being detected totalling £17,356 relating to Housing Benefit or Council Tax Reduction Scheme matches which are being recovered.

Benchmarking

4.26 In accordance with the Council's Strategic Improvement Framework, services should undertake benchmarking activity with the equivalent function in other Councils. Therefore, the Council's Internal Audit service has entered into a benchmarking group which involves seven other Councils, these being:

- Argyll and Bute
- Clackmannanshire
- East Dunbartonshire
- Falkirk
- West Lothian
- Inverclyde
- Stirling

4.27 Meetings will continue to take place during 2023/24 to review performance against agreed performance indicators and identify other areas for sharing of best practice.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 The Corporate Fraud Team activity can result in actual recoveries, charges and re-billings. The total amount of annual recoveries, charges and re-billings identified will be included in the Internal Audit Annual Report for 2023/24.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

7.1 There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a reasonable level of assurance over the Council's system of internal financial control to those charged with governance. The main basis for providing assurance is coverage of the planned risk-based audits. Every endeavour is made to ensure that no material slippage occurs in risk-based audits by concentrating resources on these audits.

8. Equalities Impact Assessment (EIA)

8.1 There are no direct equalities impacts arising from the report however where an agreed action results in a change in process this will be considered for equalities impact by the relevant service.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Laurence Slavin
Chief Officer - Resources
Date: 15 November 2023

Person to Contact:	Andi Priestman, Shared Service Manager – Audit & Fraud E-mail: andi.priestman@west-dunbarton.gov.uk
Appendices:	2023/24 Annual Audit Plan – Progress to 15 November 2023 (Appendix 1) Status of Internal Audit Action Plans at 31 October 2023 (Appendix 2)
Background Papers:	Audit Committee – 8 May 2023: Internal Audit Annual Plan 2023/24 Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy Internal Audit Reports - Copies available on request
Wards Affected:	All wards

2023-2024 Internal Audit Annual Audit Plan – Progress to 15 November 2023

2023-24 Plan Audit/Status	Not Started	Planning	Fieldwork	Fieldwork Complete	Draft Report	Final Report	Date Reported to Audit Committee
Risk-Based Reviews							
Corporate Complaints		✓	✓	✓	✓		February 2024
Participatory Budgeting	✓						June 2024
Attendance Management		✓	✓				February 2024
Commercial Waste	✓						June 2024
FM Cleaning – Stock Control		✓	✓				February 2024
FM Catering – Stock Control		✓	✓				February 2024
Corporate Procurement		✓					June 2024
Value for Money Reviews							
Void Repairs and Maintenance		✓	✓				February 2024
Property Repairs and Maintenance		✓	✓				February 2024
Limited Scope Financial System Reviews							
Debt Recovery		✓	✓				February 2024
Project Assurance Review							
Learning Disability Service – Service Redesign	✓						June 2024
Regularity Audits							
Education CSA		✓					February 2024
Payroll High Earners – Quarterly Review		✓					June 2024
HSCP - Imprest Accounts		✓	✓	✓	✓	✓	December 2023
Advisory Reviews							
UK Shared Prosperity Fund	Not yet started.						
Roads – Route Optimisation	Not yet started.						
Finance/HR Establishment Controls	Audit advice and support provided to working group.						
Other Work							
Integration Joint Board – Internal Audit Service	The internal audit annual plan for 2022/23 is complete and the 2023/24 audit plan is underway with one review at draft report stage and the other review at planning stage.						
Valuation Joint Board – Internal Audit Service	Planning for the 2023/24 audit has not started.						
Leisure Trust – Internal Audit Service	Planning for the 2023/24 audit is underway.						
National Fraud Initiative	Matches for the 2022/23 Exercise have been received and investigations are underway.						
2022/2023 Audit Plan Completion	There are 3 audits being finalised in 2023/24. One audit is complete and fieldwork is ongoing for 2 audits.						



**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
AT 31 OCTOBER 2023**

Summary: Section 1 Summary of Management Actions due for completion by 31/10/2023

There was one action due for completion by 31 October 2023 which has been reported as completed by management.

Section 2 Summary of Current Management Actions Plans at 31/10/2023

At 31 October 2023 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/10/2023

At 31 October 2023 there were 17 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 October 2023 there were 5 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
SUMMARY OF ACTION PLANS DUE FOR COMPLETION BY 31.10.2023**

SECTION 1

Strategic Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Resources	1	1		
Total	1	1		

* These actions are included in the Analysis of Missed Deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
SUMMARY OF CURRENT ACTION PLANS AT 31.10.2023**

SECTION 2

CURRENT ACTIONS BY STRATEGIC AREA





Roads and Neighbourhood	
Due for completion December 2023	5
Due for completion April 2024	4
Total Actions	9
HSCP - Health and Community Care	
Due for completion November 2023	3
Due for completion December 2023	1
Due for completion January 2024	1
Due for completion March 2024	1
Due for completion June 2024	1
Total Actions	7
Resources	
Due for completion December 2023	1
Total Actions	1
Total current actions:	17

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.10.2023**


SECTION 3

Current Internal Audit Action Plans





P Vehicle Tracking System (Report Issued January 2023)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/147	Lack of Formal Process for authorising Users Access to Vehicle Tracking System (Amber) Users will be contacted and each service's identified administrator will be given access to review and confirm access rights are correct.		31-Mar-2023	31-Dec-2023	Shared Fleet and Waste Services Manager	Chief Officer – Roads and Neighbourhood
IAAP/148	Lack of tracking units in hired vehicles (Amber) Management will commence a review to assess practical application of tracking devices to Long term hires.		31-Mar-2023	31-Dec-2023	Shared Fleet and Waste Services Manager	Chief Officer – Roads and Neighbourhood
IAAP/149 a	Under Utilisation of Vehicle Tracking System (Amber) All Services operating vehicles with tracking units installed will be contacted and provided with updated Tracking System Procedures and training if required.		31-Mar-2023	31-Dec-2023	Shared Fleet and Waste Services Manager	Chief Officer – Roads and Neighbourhood
IAAP/149 b	Under Utilisation of Vehicle Tracking System (Amber) All Service managers that utilise Council owned or hired vehicles should ensure they are aware and are trained on the operational functionality of the Vehicle Tracking System.		31-Mar-2023	31-Dec-2023	Service Managers	Chief Officers

P Supplier Management (Report Issued March 2023)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/158	HSCP Formal Contract and Supplier Management (Amber) Development of a Contracts Register to be stored centrally and controlled by the CCQ Team. By the due date it will have been developed to include a risk register in RAG format to cover contract start date, end date, extension date, CI scores, spend status, Quality monitoring information. Risk register will also be used to programme in more to review services well ahead of contract end date.		31-Dec-2023	31-Dec-2023	HSCP Head of Strategy and Transformation	Chief Officer HSCP Board





Status Key

	On track		Complete
	Overdue – revised date required		Missed original due date –new date set


**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.10.2023**

SECTION 3





P Occupational Therapy – Waiting Times (Report Issued April 2023)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/170a	Lack of capacity to manage current occupational therapy workloads (Red) Recruitment to current vacant posts. Limitations apply: availability of suitable, appointable applicants plus national recruitment issue.		01-May-2023	30-Jun-2024	HSCP Head of Health and Community Care	Chief Officer HSCP Board
IAAP/170b	Lack of capacity to manage current occupational therapy workloads (Red) Head of Service (HOS)/Integrated Operation Manager (IOM) will review Occupational Therapy establishment across Adult Care and Community Older Peoples Team and consider alternatives to allow effective distribution of workload across Integrated Adult Services.		30-Nov-2023	30-Nov-2023	HSCP Head of Health and Community Care	Chief Officer HSCP Board
IAAP/174	Blue badge application backlog (Amber) Head of Service (HOS)/Integrated Operation Manager (IOM) will review Occupational Therapy establishment across Adult Care and Community Older Peoples Team and consider alternatives to allow effective distribution of workload across Integrated Adult Services.		30-Nov-2023	30-Nov-2023	HSCP Head of Health and Community Care	Chief Officer HSCP Board
IAAP/175	Adequacy of management information (Amber) HoS to collate 'performance manager reports' which will include trend analysis across a range of services. This will highlight profession specific reports including Occupational Therapy. These will be monitored by IOM / HoS monthly and adverse trends reported via Clinical care and Governance exception reports. Recognising the need to balance risk within the three classifications of priority against available resources requires effective triaging of referrals.		30-Nov-2023	30-Nov-2023	HSCP Head of Health and Community Care	Chief Officer HSCP Board

P Fleet Management (Report Issued May 2023)





Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/176	Adequacy of Strategic Planning in relation to Fleet Management (Amber) An asset management plan for vehicle fleet will be developed based on the current budget for the vehicle replacement programme. The first plan will focus on priority vehicles which require to be replaced and then a rolling programme will be implemented.		01-Apr-2024	01-04-2024	Chief Officer Roads and Neighbourhood	Chief Officer Roads and Neighbourhood

Status Key





	On track		Complete
	Overdue – revised date required		Missed original due date –new date set

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.10.2023**

SECTION 3

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/178	Lack of Review and Update of Fortress System (Amber) An initial exercise will be undertaken to review and update the driver information held on Fortress through consultations. Half yearly review on an ongoing basis. Review of keys and allocation of a key to a specific vehicle will be implemented as part of the initial exercise.		31-Dec-2023	31-Dec-2023	Chief Officer Roads and Neighbourhood	Chief Officer Roads and Neighbourhood
IAAP/179	Lack of measuring of individual vehicle efficiency/Co2 emissions (Amber) Management will further consider reporting of Co2 emissions as part of the net zero strategy and transition to electric vehicles. In relation to vehicle efficiency, as fuel efficiency is affected by individual driver style, management will consider whether driver information scores could be collated and provided to management to prioritise or target individual training.		01-Apr-2024	01-Apr-2024	Chief Officer Roads and Neighbourhood	Chief Officer Roads and Neighbourhood
IAAP/180	Single Person Dependency – Transport Administration (Amber) Roles and responsibilities will be clarified and agreed for what is considered to be a service task and what is considered to be a Corporate Admin Support task. Relevant action to document procedures will then be taken.		01-Apr-2024	01-Apr-2024	Chief Officer Roads and Neighbourhood	Chief Officer Roads and Neighbourhood
IAAP/181	Single Person Dependency – Transport Administration (Amber) Roles and responsibilities will be clarified and agreed for what is considered to be a service task and what is considered to be a Corporate Admin Support task. Relevant action to document procedures will then be taken. The service will consider developing the skills base of other officers within the wider service and undertake discussion with CAS management to ensure sufficient cross-training of required skills set within the wider CAS team.		01-Apr-2024	01-Apr-2024	Chief Officer Roads and Neighbourhood	Chief Officer Roads and Neighbourhood



Status Key

	On track		Complete
	Overdue – revised date required		Missed original due date –new date set



**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
CURRENT ACTION PLANS AT 31.10.2023**

SECTION 3





P Non-Domestic Rates (Report Issued September 2023)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/185	Ongoing Discrepancies between Assessor and Finance NDR Records – Self-catering Units (Amber) Management will discuss with the assessor to resolve the need for manual workaround.		31-Dec-23	31-Dec-23	FSC Section Head	Chief Officer Resources
IAAP/186	Lack of Independent Review of NDR Relief Applications (Amber) Introduce checking on a sample basis for SBBS and EPR reliefs and review the level of checks carried out across all reliefs to ensure appropriate.		01-Oct-23	01-Oct-23	FSC Team Leader	Chief Officer Resources

P HSCP Imprest (Report Issued November 2023)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/191	Lack of Segregation of Duties (Amber) A review of staff involved in the management and operation of petty cash imprest will be undertaken and the following will be noted: <ul style="list-style-type: none"> Staff who carry out the day to day operation of petty cash imprest will not be an authorised signatory; and Staff who are independent of the day to day operation will be nominated authorised signatories and will carry out checks and authorisation of reimbursement claims. 		31-Jan-24	31-Jan-24	CFO HSCP	Chief Officer HSCP
IAAP/192	Adequacy of Procedures (Amber) A review of the procedures will be undertaken and updated to reflect up to date practice and provide sufficient guidance to staff involved in operating and managing petty cash imprest accounts.		31-Mar-24	31-Mar-24	CFO HSCP	Chief Officer HSCP

Status Key

	On track		Complete
	Overdue – revised date required		Missed original due date – new date set

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
Vehicle Tracking System (Report issued January 2023)	Lack of Formal Process for authorising Users Access to Vehicle Tracking System (Amber) Users will be contacted and each service's identified administrator will be given access to review and confirm access rights are correct.	31-Mar-2023 30-Jun-2023	31-Dec-2023	A working group is being established to progress the actions arising from the vehicle tracking audit. The implementation of a revised structure within the service will also provide focus in this area.
Vehicle Tracking System (Report issued January 2023)	Lack of tracking units in hired vehicles (Amber) Management will commence a review to assess practical application of tracking devices to Long term hires.	31-Mar-2023 30-Jun-2023	31-Dec-2023	A working group is being established to progress the actions arising from the vehicle tracking audit. The implementation of a revised structure within the service will also provide focus in this area.
Vehicle Tracking System (Report issued January 2023)	Under Utilisation of Vehicle Tracking System (Amber) All Services operating vehicles with tracking units installed will be contacted and provided with updated Tracking System Procedures and training if required.	31-Mar-2023 30-Jun-2023	31-Dec-2023	A working group is being established to progress the actions arising from the vehicle tracking audit. The implementation of a revised structure within the service will also provide focus in this area.
Vehicle Tracking System (Report issued January 2023)	Under Utilisation of Vehicle Tracking System (Amber) All Service managers that utilise Council owned or hired vehicles should ensure they are aware and are trained on the operational functionality of the Vehicle Tracking System.	31-Mar-2023 30-Jun-2023	31-Dec-2023	A working group is being established to progress the actions arising from the vehicle tracking audit. The implementation of a revised structure within the service will also provide focus in this area.
Occupational Therapy – Waiting Times (April 2023)	Lack of capacity to manage current occupational therapy workloads (Red) Recruitment to current vacant posts. Limitations apply: availability of suitable, appointable applicants plus national recruitment issue.	01-May-2023	30-Jun-2024	A new Integrated Operations Manager has now been appointed and one of the priority areas identified will be to review the wider OT service across ACT/COPT. This is anticipated to be concluded by June 2024 as this work will require a service redesign process.

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
SUMMARY OF ACTIONS BY AUDIT YEAR**

SECTION 5

Status at 31 October 2023

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			Red	Amber	Green*
2020/2021	25	23	0	0	2
2021/2022	51	48	0	1	2
2022/2023	51	33	0	13	5
2023/2024	11	4	0	3	4
Total	138	108	0	17	13

* Green actions are within the Council's risk appetite and are therefore not included in Audit Committee reports.

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer - Resources
Audit Committee: 13 December 2023

Subject: Treasury Management Annual Report 2022/23

1. Purpose

- 1.1** The purpose of this report is:
- a. To advise the Committee of the operation of the treasury function and its activities for 2022/23.
 - b. To request that the Committee remits the report to the Full Council for their approval.

2. Recommendations

- 2.1** It is recommended that the Committee notes the contents of the annual report on treasury Management for 2022/23.
- 2.2** It is requested that the Committee remits the report to the Full Council for approval.

3. Background

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2022/23, the Chief Officer - Resources is required to provide an Annual Report to Members regarding the Treasury function.
- 3.2** One of the key clauses is that a responsible body is required to ensure effective scrutiny of the treasury management strategy and policies. Within West Dunbartonshire Council the body identified to fulfil this role is the Audit Committee.

4. Main Issues

Treasury Management Stewardship Report

- 4.1** A copy of the report is attached (Appendix 1) and this has been based upon the draft Financial Statements as at 31 March 2023.
- 4.2** The report gives details of loans borrowed and loans repaid during the course of the year, interest rates and debt rescheduling which was undertaken.
- 4.3** External borrowing (excluding PPP) has increased during the year at £578.408 m at the beginning of the year to £620.833m at the end of the year. Over the year as new debt has been borrowed and maturing debt replaced the average interest rate on loans held has increased from 1.91% at 31 March 2022 to 3.19% at 31 March 2023.

- 4.4** Consideration was given to available interest rates, and mainly short-term borrowing has been utilised to finance the current capital programme to take advantage of slightly lower interest rates.
- 4.5** Investments have decreased as at the 31 March 2023 from £11.442m at the beginning of the year to £6.496m at the year-end. The average interest rate on these investments held as at 31 March 2023 increased from 0.42% to 4.00%.
- 4.6** As at the 31 March 2023 fixed rate borrowing under 12 months was 52.18% which was above the maximum allowable limit for short term debt. Action was taken by the Chief Officer – Resources to reprofile the debt to a long term loans and bring the level of short term debt back within the 50% maximum allowable. All other year end indicators advised within Appendix 1 of this report are within the limits previously agreed by Council.

5. Option Appraisal

- 5.1** No option appraisal was required for this report.

6. People Implications

- 6.1** There are no personnel issues.

7. Financial and Procurement Implications

- 7.1** There are no financial or procurement implications.

8. Risk Analysis

- 8.1** Although this report provides a historic position in relation to treasury management there are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1. These risks are noted below; however the Council has robust monitoring processes in place and provides regular reports to Council and ensures further scrutiny by elected Members at the Audit Committee:
- (a) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however, the Council has robust controls included within its treasury management and investment strategies that will assist in mitigating this risk; and
 - (b) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts or other funding are available.

- (c) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement.

9. Equalities Impact Assessment

- 9.1** No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

- 10.1** No assessment of environmental sustainability was required in relation to this report

11. Consultation

- 11.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

- 12.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

- 12.2** Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

Laurence Slavin
Chief Officer - Resources
Date: 13 December 2023

Person to Contact: Karen Shannon,
Finance Business Partner
Council Offices, Church Street
Email: Karen.Shannon@west-dunbarton.gov.uk

Appendix: Annual Report 2022/23 -Treasury Management and Actual Prudential Indicators

Background Papers: Loans register and portfolio;
Debt rescheduling schedules;
Prudential Indicators 2023/24 to 2032/33 and Treasury Management Strategy 2023/24 to 2032/33
(Council 29 March 2023);

Mid-Year Monitoring Report 2022/23 - Treasury Management and Prudential Indicators (Council 26 October 2022); and
Treasury Management Annual Report 2021/22 (Council 26 October 2022)
Local Government Finance Circular 5/2022 - statutory repayment of debt – short term financial flexibility: guidance

Wards Affected: No wards directly affected.

Annual Report 2022/23**Treasury Management and Actual Prudential Indicators****1. Introduction**

1.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government in Scotland Act 2003 (the Act), provides the powers to borrow and invest as well as providing controls and limits on this activity. The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2021/22);
- Statutory Instrument (SSI) 29 of 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; and the treasury activity with regard to the CIPFA Code of Practice for Treasury Management in Local Authorities; and
- Statutory Instrument (SI) 2016 No 123 requires the Council to document its policy on the prudent repayment of loans fund advances.

1.2 This Council has adopted both the CIPFA Code of Practice for Treasury Management in the Public Sector and the Prudential Code and operates its treasury management service and capital programme in compliance with these Codes and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis.

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. For 2022/23, a Capital Strategy was reported and approved by Council on 9 March 2022.

1.3 During 2022/23 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the new financial year (Council 23 March 2022);
- a mid-year treasury update report (Council 26 October 2022); and
- an annual report following the financial year-end describing the activity compared to the strategy (this report).

1.4 This report sets out:

- A summary of the strategy agreed for 2022/23;
- The Council's treasury position at 31 March 2023;
- The main Prudential Indicators and compliance with limits;
- A summary of the economic factors affecting the strategy over 2022/23;
- The Treasury activity during 2022/23;
- Performance indicators set for 2022/23;
- Disclosure regarding the repayment of loan Fund advances for 2022/23; and
- Risk and Performance.

2. A Summary of the Strategy for 2022/23

- 2.1 Borrowing** – It is forecast that the capital borrowing need (the Capital Financing Requirement) will be almost fully funded with external borrowing which is a mixture of short term and long term debt. Against this background and the risk within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 2.2 Investments** - with the economic background at the time, the investment climate had one over-riding risk consideration - counterparty security risk. As a result of the underlying concerns, officers maintained an operational investment strategy which tightened the controls already in place in the approved investment strategy. The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective.
- 2.3** Based on the above, the treasury strategy was to postpone borrowing (by not borrowing in advance of need) and in particular minimise longer term borrowing to avoid the cost of holding higher levels of investments at higher interest rates and to reduce counterparty risk.

3. The Council's Treasury Position at 31 March 2023

- 3.1** During 2022/23, the Chief Officer – Resources, in line with the Treasury Strategy, managed the debt position with the use of internal funds as well as a mix of short-term and long-term external borrowing, and the treasury position at 31 March 2023 compared with the previous year was:

Table 1

Treasury position – excluding PPP	31 March 2023		31 March 2022	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£614.160m	3.19%	£574.570m	1.91%
Variable Interest Rate Debt	£0.000m	0.00%	£0.000m	0.00%
Total Debt	£614.160m	3.19%	£574.570m	1.91%
Total Investments	£6.478m	4.00%	£11.440m	0.42%
Net borrowing position	£607.682m		£563.130m	

3.2 From the above table, it can be seen that the average interest rate on the debt held as at 31 March has increased from 1.91% in 2022 to 3.19% as at 31 March 2023. At the same time the average interest rate has increased on the investments held as at 31 March from 0.42% in 2022 to 4.00% as at 31 March 2023.

3.3 The external debt figure included within Table 1 includes both short term and long term debt.

3.4 There are four treasury prudential indicators which cover the activity of the treasury function. Complying with these indicators reduces the risk of an adverse movement in interest rates impacting negatively on the Council's overall position:

- Upper limits on variable rate exposure;
- Upper limits on fixed rate exposure;
- Maturity structures of borrowing; and
- Total principal funds invested for greater than 365 days

3.5 Table 2 shows the actual upper limits set per debt type and maturity as at 31 March 2023.

Table 2

	2022/23 Actual	2022/23 Revised Indicator	
Upper Limits on Fixed Interest Rates (Against maximum position)	100.00%	100.00%	
Upper Limits on Variable Interest Rates (Against maximum position)	0.00%	50.00%	
Maturity Structure Fixed Rate Borrowing (%)	Year End	Max	Min
Under 12 months	52.18%	50.00%	0%
12 months to 2 years	1.02%	50.00%	0%
2 years to 5 years	3.45%	50.00%	0%
5 years to 10 years	4.06%	50.00%	0%
10 years to 20 years	3.05%	50.00%	0%

20 years to 30 years	4.48%	50.00%	0%
30 years to 40 years	3.65%	50.00%	0%
40 years to 50 years	25.17%	100.00%	0%
50 years to 60 years	2.95%	100.00%	0%
60 years to 70 years	0.00%	100.00%	0%
Maximum Principal Funds Invested > 364 Days	£0.471m	£1m	Nil

4. The Main Prudential Indicators and Compliance with Limits

4.1 The Council is required by the Prudential Code to report the actual prudential indicators after the year end.

4.1.1 Capital Expenditure and its Financing

This indicator shows total capital expenditure for the year and how this was financed. The decrease in capital expenditure between revised estimate and actual as noted below in Table 3 is due to expenditure which has been reprofiled from 2022/23 into the 2023/24 capital programme, together with resources. The indicators for 2023/24 will be revised in line with this.

Table 3

	2022/23 Actual	2022/23 Revised Estimate*
Capital expenditure:	£62.108m	£113.178m
Resourced by:		
Capital receipts and grants	£17.263m	£36.266m
Revenue	£2.911m	£0.288m
Capital expenditure - additional need to borrow for in-year capital spend	£41.934m	£76.624m

* From the mid-year report – Council 26 October 2022

4.1.2 Gross Borrowing and the Capital Financing Requirement (CFR)

In order to ensure that borrowing levels are prudent, over the medium term the Council's gross borrowing must only be used for capital purposes. Gross borrowing should not therefore, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23.

- 4.1.3** The Chief Officer - Resources reports that the Council has complied with this indicator over the medium term (as can be seen by comparing the gross debt figure at 31 March 2023 with the anticipated CFR at 31 March 2026 as detailed in Table 4 below), and in the short term, the adjusted gross borrowing position also under the CFR as at 31 March 2023.

Table 4

	2022/23 Actual	2022/23 Revised Indicator*
Gross borrowing position per Table1	£614.160m	£641.712m
Long term liability	£90.122m	£89.115m
Adjusted gross borrowing position	£704.282m	£720.857m
Capital Financing Requirement	£742,283m	£743.915m

* From the mid-year Treasury Strategy – Council 22 December 2022

	(£m) 2022/23 Actual
CFR at 31 March 2023	
2022/23 Actual	£742,283
Estimated Movement in CFR*	
2023/24	£96.170
2024/25	£80.411
2025/26	£31.880
Anticipated CFR at 31 March 2026	£923.751
Gross Debt at 31 March 2023	£664.643

* Estimated movements from treasury Management Strategy 2023/24 – 29 March 2023

4.1.4 The Authorised Limit

The Authorised Limit is the “Affordable Borrowing Limit” required by Section 35 of the Local Government in Scotland Act 2003. The Council does not have the power to borrow above this level. The information in Table 5 demonstrates that during 2022/23 the Council has maintained gross borrowing within its Authorised Limit.

4.1.5 The Operational Boundary

The Operational Boundary is the borrowing position that the Council expects to work around during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The information in Table 5 demonstrates that during 2022/23 the Council has maintained gross borrowing within its Operational Boundary.

4.1.6 Actual financing costs as a proportion of net revenue stream

This indicator shows the actual impact of capital expenditure in 2022/23 compared to the projected impact of the General Services Capital Plan Refresh and the HRA Capital Plan Update as approved by Members on 9 March 2022. The cost of capital is described as loan charges within the revenue budgets.

Table 5

	2022/23
Revised Indicator - Authorised Limit	£877.028m
Revised Indicator - Operational Boundary	£803.943m
Maximum gross borrowing position during 2022/23	£706.362m
Minimum gross borrowing position during 2022/23	£657.164m

	Estimated	Actual
Financing Costs as a proportion of net revenue stream		
General Fund	4.06%	3.97%
Housing (HRA)	27.08%	29.40%

* From treasury Management Strategy 2023/24 – 29 March 2023

5. Summary of the Economic Factors affecting the Strategy during 2022/23

5.1 The Economy and Interest Rates 2022/23 – to March 2023

UK / Scotland. Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps(Basis Points) in 2022.

CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK

labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been

less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the European Central Bank (ECB) will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

5.2 Borrowing Rates in 2022/23

The graph for PWLB interest rates below shows that interest rates have continued to increase and most PWLB rates have been on a general upward trend since.



Source: Link Treasury Management Annual Report Template 2022/23 (Scotland)

6. Treasury Activity during 2022/23

- 6.1 Borrowing** – The Council raised new new short term loans of £313.000m during 2022/23 for the replacement of naturally maturing debt and to finance the Council’s capital programme.
- 6.2 Rescheduling** – No debt rescheduling has taken place in 2022/23.
- 6.3 Repayment** – The Council repaid naturally maturing debt of £279.186m.
- 6.4 Summary of Debt Transactions** – The overall position of the debt activity resulted in the average annual interest rate paid throughout the year, year on year increasing from 1.91% (2021/22) to 3.19% to 3.19% (2022/23)
- 6.5 Investment Policy** – The Scottish Government issued The Local Government Investments (Scotland) Regulations 2010 on 1 April 2010.
- 6.6** The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 6.7** The Council’s short term cash investments decreased from £11.440m at the beginning of the year to £6.478m at the end of the year with an average balance of £11.877m and received an average return of 0.063% over the year. In addition to the short term cash investments the Council also had 2 long term investments in Clydebank Property Company and Hub West Scotland with a total value of £0.471m as at 31 March 2023 as identified in table 2 above (investments over 364 days).

7. Performance Indicators set for 2022/23

- 7.1** The treasury strategy defined a set of performance indicators covering the following areas:
 - 7.1.1 Security** - In the context of benchmarking, assessing security is a very subjective area. Security is currently evidenced by the application of minimum quality criteria to financial institutions that the Council may choose to invest in, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard & Poors). The Council has benchmarked security risk by assessing the historical likelihood of default for investments placed with any institution with a long term credit rating of A- (this is the minimum long term credit rating used in the Council’s investment strategy). The Council’s maximum security risk is that 0.05% of investments placed with financial institutions could theoretically default based on global historical data. During the year all investments within the Council’s portfolio were repaid on their due dates with no defaults of the principal sums recorded.
 - 7.1.2 Liquidity** – As required by the CIPFA Treasury Management Code of Practice the Council has stated that it will “ensure that it has adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives”. In respect to liquidity as defined above the liquidity arrangements during the year

were maintained in line with the facilities and benchmarks previously set by the Council as follows:

- Bank overdraft - £1.000m; and
- Liquid short term deposits of at least £5.000m available overnight.

7.1.3 Return – For the financial year the investment return averaged 1.984% which is an increase of 1.921% from the previous year. Table 6 illustrates that the Council's average return identified of 1.984% was less than the average return from the Council's bankers investment account (2.21%) and less than the Money Market Funds rate (noted in table 6) which are the local measures of return investment benchmarks approved in March 2012.

The Council's bankers (and therefore the bank with which the investment account is held) are currently Virgin money (formerly Clydesdale Bank plc) which falls within the Category 3 Investment Category approved in the investment strategy approved in February 2017. Due to the credit rating of this bank this category specified a maximum limit £5million which may be held on an overnight basis only thus limiting the ability to attract interest on this account.

Table 6

Benchmark	Benchmark Return	Average Return
Compound 12 month SONIA*	3.45%	1.984%

* SONIA is Sterling Overnight Index Average and has replaced LIBOR & LIBID

8. Disclosure regarding the repayment of loans fund advances for 2022/23

- 8.1** The policy on the prudent repayment of loans fund advances was detailed in the Mid-Year Monitoring Report 2022/23 - Treasury Management and Prudential Indicators reported to Council on 26 October 2022.
- 8.2** Table 7 shows the movement in the level of loan fund advances between 1 April 2022 and 31 March 2023 (excluding PPP).

Table 7

	General Fund	Housing
Opening Balance at 1 April 2022	£339.474m	£244.436m
New Advances in 2022/23	£17.833m	£26.328m
Repayments in 2022/23	(£2.988m)	(£6.510m)
Closing Balance at 31 March 2023	£354.319m	£264.254m

- 8.3** Table 8 details the anticipated repayment profile of the balance on the internal loans fund advances (excluding PPP) for both General Services and Housing held at 31 March 2023 (note, this is not external debt).

Table 8

Future Repayment Profile at 31 March 2023	General Fund	Housing	Total
	£m	£m	£m
Under 12 months	4.023	6.836	10.859
2 years to 5 years	16.888	27.080	43.968
6 years to 10 years	23.520	38.567	62.088
11 years to 15 years	27.967	30.964	58.930
16 years to 20 years	25.956	38.527	64.483
21 years to 25 years	18.217	42.462	60.680
26 years to 30 years	12.574	25.349	37.923
31 years to 35 years	9.941	5.304	15.245
36 years to 40 years	11.526	3.250	14.775
41 years to 45 years	12.257	3.378	15.635
46 years to 50 years	14.057	4.785	18.842
51 years to 55 years	18.900	7.114	26.013
56 years to 60 years	24.414	8.395	32.809
61 year +	134.080	22.244	156.324
Total	354.319	264.254	618.573

9. Risk and Performance

- 9.1** The Council has complied with all relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach. Ongoing consideration of future affordability and sustainability are reported and considered by Members each year when setting the Council's General Fund and HRA capital and revenue budgets.
- 9.2** The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's treasury advisers, has proactively managed its treasury position within the current economic climate taking advantage of lower interest rates where it is deemed appropriate. The Council has complied with its internal and external procedural requirements. There is little risk of volatility of costs in the current debt portfolio as the interest rates are predominantly fixed, with the majority of debt comprised of long-term loans.
- 9.3** Shorter-term rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.

WEST DUNBARTONSHIRE COUNCIL
Report by the Chief Officer - Resources
Audit Committee: 13 December 2023

Subject: Treasury Management Mid Year Report 2023/2024

1. Purpose

- 1.1** The purpose of this report is:
- a. To advise the Committee of the operation of the treasury function and its activities to 30 September 2023.
 - b. To request the Committee remits the report to the Full Council for their approval.

2. Recommendations

- 2.1** It is recommended that the Committee notes the treasury management stewardship information within the appended report.
- 2.2** It is recommended that the Committee note the 2023/24 revised estimates of treasury and prudential indicators as advised within the appended report (Tables A, B, C, D, E, F, H, L and N); and
- 2.3** It is requested that the Committee remits the report to the Full Council for approval.

3. Background

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2023/24, the Chief Officer - Resources is required to provide a mid year Report to Members regarding the Treasury function.
- 3.2** The mid year report covers the period 1 April 2023 to 30 September 2023 and details the current position (where appropriate) and revises the 2023/24 estimates where required.
- 3.3** The Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies and the report will be reported to a future meeting of that Committee for further scrutiny.

4. Main Issues

Treasury Management Stewardship Report

- 4.1** A copy of the report is attached as Appendix 1.

4.2 The report provides details of key changes to the Council's capital activity (the prudential indicators), the economic outlook, the actual and proposed treasury management activity (borrowing and investment) and the risk approach to treasury management (the treasury management indicators).

4.3 The external debt figures included within Table C includes both short term and long term debt due to a strategy of using short term borrowing to fund long term capital investment enabling the Council to take advantage of lower interest rates.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 There are no personnel issues.

7. Financial and Procurement Implications

7.1 There are no direct financial or procurement implications arising from this report.

8. Risk Analysis

8.1 Although the appended report provides a mid year position in relation to treasury management there are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1. These risks are noted below; however the Council has robust monitoring processes in place and provides regular reports to Council and ensures further scrutiny by elected Members at the Audit Committee:

- (a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;
- (b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the Council has robust controls included within its treasury management and investment strategies that will assist in mitigating this risk; and
- (c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

9. Equalities Impact Assessment

- 9.1** No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

- 10.1** No assessment of environmental sustainability was required in relation to this report.

11. Consultation

- 11.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

- 12.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.
- 12.2** Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

Laurence Slavin
Chief Officer – Resources
Date: 13 December 2023

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Appendix: Appendix 1: Treasury Management Stewardship Mid
Year Monitoring Report 2023/24
Treasury Management and Prudential Indicators
1 April 2023 to 30 September 2023

Background Papers:

1. Loans register and portfolio;
2. Debt rescheduling schedules; and
3. Prudential Indicators 2022/23 to 2032/33 and Treasury Management Strategy 2023/24 to 2032/33 (Council 29 March 2023)

Wards Affected: No wards directly affected.

Mid-Year Monitoring Report 2023/24**Treasury Management and Prudential Indicators: 1 April 2023 to 30 September 2023****1. Introduction****1.1** The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government in Scotland Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made as yet during 2023/24).
- Statutory Instrument (SSI) 29 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; and the treasury activity with regard to the CIPFA Code of Practice for Treasury Management in Local Authorities.
- Statutory Instrument (SSI) 123 2016, set out statutory arrangements for local authority borrowing and lending and the requirement to maintain a loans fund and replace the statutory arrangements set out in Schedule 3 of the Local Government (Scotland) Act 1975 (Schedule 3).

1.2 The regulatory framework of treasury management requires that the Council receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report. This report meets that requirement and also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators. The Treasury Strategy and Prudential Indicators were previously reported to Council on 29 March 2023. The current position is shown (where appropriate) and revisions to the 2023/24 estimate are provided where required.**1.3** In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities require to prepare a Capital Strategy which provides the following:

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

The Council's Capital Strategy was reported to and agreed by Council on 1 March 2023.

1.4 This report sets out:

- Key changes to the Council's capital activity (the prudential indicators);
- An economic update for the first part of the 2023/24 financial year;
- The actual and proposed treasury management activity (borrowing and investment); and
- The risk approach to treasury management (the treasury management indicators).

2. Key Prudential Indicators

2.1 This part of the report is structured to update:

- The Council's capital expenditure plans and how these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow;
- Compliance with the limits in place for borrowing activity; and
- Policy on the statutory repayment of loans fund advances

2.2 **Capital Expenditure** – Table A shows the current position and revised estimates for capital expenditure for 2023/24 only.

Table A:

£000	2023/24 Original Estimate	Current Position	2023/24 Projected Outturn
General Services	79,916	7,698	50,320
HRA	66,277	16,308	46,070
Capital Expenditure	146,193	24,006	96,390
Financed by:			
Capital receipts	0	246	0
Capital grants	34,930	9,054	36,331
Revenue / other	909	0	288
Net financing need for the year	110,354	14,706	59,771

2.2.1 The anticipated spends and resources are regularly reported to Members through budgetary control reports.

2.3 **Impact of changes in Capital Expenditure Plans** – Table B shows the CFR, which is the underlying external need to borrow for a capital purpose while Table C shows the expected debt position over the period.

Table B:

£000	2023/24 Original Estimate	2023/24 Projected Outturn
Opening CFR (1 April 2023)	706,242	742,283
New Borrowing	99,308	59,226
LTL repayment in year	(3,138)	(3,370)
Closing CFR (31 March 2024)	802,412	798,139
movement in CFR	96,170	55,856
Net financing need for the year (Table A)	110,354	70,910
Loan repayments in year - excluding LTL (PPP)	(11,046)	(11,684)
New Borrowing - Movement in CFR (from previous year)	99,308	59,226

Table C:

£000	2023/24 Original Estimate	Current Position	2023/24 Projected Outturn
External Debt			
Estimated/Actual Debt at 1 April 2023	615,175	620,877	614,263
Maturing Debt	(150,485)	(212,000)	(314,677)
<u>Movement in Borrowing</u>			
New Borrowing - Maturing Debt	150,485	212,000	314,677
Borrowing adjustment in relation to over borrowing at year end	0	0	
New Borrowing – CFR (Table B)	99,308	7,000	48,077
Debt at 31 March (1)	714,483	627,877	662,350
Long Term Liabilities (LTL) at 1 April	89,115	90,122	90,122
LTL repayment in year (Table B)	(3,138)	(1,404)	(3,370)
LTL at 31 March (2)	85,977	88,718	86,752
Actual Debt at 31 March (1) + (2)	800,460	716,595	749,102
CFR from Table B	802,412	n/a	787,000
Under/(Over) Borrowing	1,952	n/a	37,898

- 2.3.1** The external debt figures included within Table C now includes both short term and long-term debt. This is due to the current strategy of using short-term borrowing to fund long-term capital investment enabling the Council to take advantage of lower interest rates. The reduction in the estimated external debt for 2023/24 is due to a reduction in the net capital financing need for the year.
- 2.3.2** The CFR is calculated on a year-end position based on the Council's balance sheet and therefore the current position is not shown. The CFR has decreased from the original estimate due to the decrease in the forecast level of capital expenditure in 2023/24. The Chief Officer - Resources can report that the Council is currently on target to meet the 2023/24 revised estimates for both indicators.
- 2.3.3** Table C highlights that the borrowing of the Council is forecasting a under-borrowed position against the CFR at 31 March 2024.
- 2.4 Compliance with the limits in place for borrowing activity** – A key control over the treasury activity is a prudential indicator to ensure that over the medium term, gross borrowing will only be for a capital purpose.

Gross borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years.

The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The revised indicator is detailed in Table D and is illustrated by comparing the estimated gross debt as at 31 March 2023 with the CFR as at 31 March 2026. The Chief Officer - Resources reports that no difficulties are envisaged for the current year in complying with this prudential indicator.

Table D:

£000	2023/24 Original Estimate	2023/24 Projected Outturn
CFR at 31 March 2023		
Estimate/Actual (From Table B above)	706,242	742,283
Estimated movement in CFR		
2023/24 (From Table B above)	96,170	44,717
2024/25	80,411	95,020
2025/26	31,880	31,880
Anticipated CFR at 31 March 2025	914,703	913,900
Gross Debt at 31 March 2023 (From Table C above)	800,460	749,102

- 2.4.1** The Operational Boundary is detailed in Table E below and is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table E:

£000	2023/24	Current Position	2023/24 Projected Outturn
	Original Estimate		
External Debt	880,506	716,595	824,012

- 2.4.2** A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which is detailed in Table F and represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table F:

£000	2023/24	Current Position	2023/24 Projected Outturn
	Original Estimate		
External Debt	960,552	716,595	898,992

3. Economic Outlook

3.1 UK

The Monetary Policy Commission (MPC) has kept the Bank Rate at 5.25% for the second time in a row (meeting Nov 2023).

The stickiness of UK inflation, still the highest in the G7 at 6.7%, is there for all to see - although it is about to fall significantly when the gas/electricity price cap reduction comes into the reckoning next month. CPI is expected to fall to 5% by the end of 2023.

Keeping a close eye on the housing market data releases, provides a good barometer of the strength or weakness of the overall economy. Only last week (Start of Nov) markets were surprised to learn that there was a 0.9% m/m rise in the Nationwide House Price index in October, which confounded the consensus forecast of a fall (-0.4% m/m) and was the largest increase since March 2022. This caused the annual rate of house price growth to rise from - 5.3% in September to -3.3% in October. On the 7 November 2023, a similar

picture emerged from the Halifax house price index, with prices rising 1.1% m/m (-3.2% y/y). Again, economists were caught on the hop, but with c2 million households due a mortgage rate reset (at a higher level) over the next 15 months it should only be a matter of time before we see further weakness in house prices and a general clamour for Bank Rate to be cut as soon as is practicable.

Furthermore, the UK domestic labour market is still having to contend with very low unemployment (4.2%) and the total number of job vacancies is only a smidgen below one million. Even if Labour takes over the governmental reins in the next year or so, it is unlikely that a fundamental overhaul of immigration policy, with a view to addressing staff shortages in various sectors of the economy, is going to be a priority, so keeping a lid on wages is going to be a tough challenge.

Furthermore, there is the small matter of a General Election coming into sight on the far horizon (late next year), so Government fiscal policy may potentially loosen at the same time as the Bank's monetary policy is still trying to take momentum out of the economy.

3.2 Scotland

- Total funding is forecast to increase in all years in nominal terms until in 2028-29, it is 13 per cent greater than in 2023-24. However inflation will erode that growth to 5 per cent.
- Resource drives this growth with increases in all years. Nominal capital funding will remain 8 per cent below 2023-24 levels throughout the period. Income tax reconciliations take place three years after the Budget when the funding was originally set.

In 2024-25 we still expect a large negative income tax reconciliation relating to 2021-22 revenues, which will exceed the fiscal framework borrowing limits. This will have a negative effect on resource funding

- High inflation sees real disposable incomes per person fall by 4 per cent by the end of 2023-24, Scotland's highest fall in living standards on record. Living standards will take until 2026-27 to recover to their 2021-22 level. In line with the latest Gross Domestic Product (GDP) data and the improved outlook for energy prices it is now forecast that the economy will remain broadly flat in 2023-24 rather than fall into a shallow recession.
- Since 2016-17, the Scottish higher rate threshold has largely been frozen. The number of higher rate taxpayers is expected to have increased by over 70 per cent in this time. The higher rate threshold freeze in the UK means the number of UK higher rate taxpayers is now also rising.
- Security spending is expected to increase from £5.3 bn in 2023-24 to £7.8 bn in 2028-29.

- Demand for disability payments across the UK has increased substantially since 2020. Disability payment forecasts have been revised up to reflect sustained demand at a higher-than-expected

3.3 International update

- What happens outside of the UK remains critical to movement in gilt yields as well. The European Central Bank has made it clear that policy tightening is at, or close to, the terminal rate (currently 4%), whilst the US FOMC (Federal Open Market Committee) has held its Bank Rate equivalent in the range of 5.25% - 5.5%.

- 3.4 Based upon the above information, the Council's treasury advisor, Link Asset Services, has provided the following interest rate forecast. As at September 2023:

Table G:

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Source: Link Treasury Management Advisors

- 3.5 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Labour and supply shortages** prove more enduring and disruptive and will depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** has increased bank rates too fast and too far over recent months, and subsequently brings about a deeper and a longer UK recession than what is anticipated.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- **A re-emergence of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

- 3.6 Upside risks to current forecasts for UK gilt yields and PWLB rates are as

- The **Bank of England is too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates the Bank rate staying higher for longer than we currently expect.
- **The pound weakens** because of a lack in confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding sovereign debt.
- Longer term **US treasury yields** continue to rise strongly and pull gilt yields up even higher than currently forecast.
- **Projected gilt issuance**, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

4. Treasury Management Activity

4.1 This part of the report is structured to update:

- The Council's expected borrowing need and details of under/(over) borrowing;
- Debt rescheduling and new borrowing;
- Debt charges; and
- Investments

4.2 **The Expected Borrowing Need** – This was set out in Table C (above) and demonstrates that at 30 September 2023 the Council is currently projecting and under-borrowed position to reduce risks in investments held and the cost of carry on investments. It should be noted that due to current economic climate the borrowing rates are significantly different than this time last year, with long term borrowing rates for periods greater than 25 years currently between 5.2% and 5.4%, depending on length of term for borrowing (as at 25 September 2023). This introduces an element of interest rate risk, as longer term borrowing rates may rise further; however, this position is being carefully monitored.

4.3 **Debt rescheduling and new borrowing** – The Council has not undertaken any debt rescheduling during the part of 2023/24 (to 30 September 2023). In the year to date naturally maturing debt of £224m has been repaid which has been mainly funded by loans from other local authorities.

4.4 **Debt Charges** – The revised estimate for debt charges for both the General Fund and the HRA is shown in Table H.

Table H:

£000	2023/24 Original Estimate	Current Position	2023/24 Revised Estimate
Borrowing	30,355	17,306	34,612
Other Long Term Liabilities	11,256	4,778	9,555
Total	61,802	29,168	44,167

4.5 Investments – The objectives of the Council’s investment strategy are to ensure the re-payment of the principal and interest of its investments on time with the level of investment return being a secondary objective. Following on from the economic background above, the current investment climate has one over-riding risk consideration, which is the risk of default.

4.5.1 The Council held £8.370m of cash investments at 30 September 2023, and the constituent parts of the investment position are detailed in Table I:

Table I:

£000	Country	< 1 Year	1 – 2 Years	2 – 3 Years
Banks	UK	4,370	Nil	Nil
Money Market Fund	UK	4,000	Nil	Nil
Local Authorities	UK	0	Nil	Nil
Total	UK	8,370	Nil	Nil

4.5.2 Table J details the revised budget position for investment income. The original estimate has increased by £0.429m due to ongoing interest rates changes.

Table J:

£000	2023/24 Original Estimate	Current Position	2023/24 Revised Estimate
Investment Income	75	252	504

4.5.3 A regulatory development to address risk is the consideration and approval of benchmarks relating to investment security, liquidity and the level of return. Benchmarks are currently widely used to assess the level of return and investment performance, however the application of security and liquidity benchmarks are more subjective in nature.

- **Security** - The Council’s maximum security risk benchmark for the current portfolio in relation to investment periods of up to one year (when compared to historic default tables) was set at 0.00% and the Chief Officer - Resources can report that there have been no defaults of principal sums invested in the year to date.

- **Creditworthiness** - Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020.
- **Liquidity** – The Chief Officer - Resources can report that liquidity arrangements were adequate during the year to date and that the liquidity facilities and benchmarks set by the Council as noted below were maintained:
 - Bank overdraft - £1.000m; and
 - Liquid short term deposits of at least £5.000m available on an overnight basis.
- **Return on Investments** – The Chief Officer - Resources can report that the investment return to date average 3.61%. Table K illustrates how this average return compares with the local benchmarks.

Table K:

Benchmark	Benchmark Return	Average Return
Compound 12 month SONIA*	4.57%	3.76%
Council's Instant Access Account	4.75%	3.76%

* SONIA is Sterling Overnight Index Average and has replaced LIBOR & LIBID

5 Key Treasury Management Indicators

5.1 This part of the report is structured to update:

- Actual and estimates of the ratio of financing costs to net revenue stream;
- Upper limits on interest rate exposure;
- The maturity structure of borrowing; and
- Total principal sums invested.

5.2 Actual and estimates of the ratio of financing costs to net revenue stream – This indicator (as shown below in Table L) identifies the trend in the cost of capital against the net revenue stream.

Table L:

	2023/24 Original Estimate	2023/24 Revised Estimate
General Fund	8.51%	9.93%
HRA	35.55%	38.28%

5.3 Upper Limits on Fixed and Variable Rate Exposure – These indicators identify a maximum limit for fixed and variable interest rates based upon the debt position and were set at 100% and 50% respectively for 2023/24. The Chief Officer – Resources reports that the Council operates within these limits.

5.4 Maturity Structures Of Borrowing – These maximum limits are set to reduce the Council's exposure to large fixed rate loans (those instruments

which carry a fixed interest rate for the duration of the instrument) which are due to naturally mature in any given period as detailed in Table M and show that the Council operates within limits set.

Table M:

Maturity Structure of Fixed Interest Rate Borrowing	2023/24 Original Limits	Current Position
Under 12 months	50%	45%
12 months to 2 years	50%	5%
2 years to 5 years	50%	10%
5 years to 10 years	50%	4%
10 years to 20 years	50%	3%
20 years to 30 years	50%	4%
30 years to 40 years	50%	3%
40 years to 50 years	100%	21%
50 years to 60 years	100%	5%
60 years to 70 years	100%	0%

- 5.5 Total Principal Funds Invested** – These limits are set to reduce the need to temporarily borrow to cover any unexpected expenditure, and show limits to be placed on investments with final maturities beyond each year-end. The Council currently invests sums for periods greater than 365 days in Clydebank Property Company and hub West Scotland as detailed in Table N.

Table N:

	2023/24 Original Estimate	Current Position	2023/24 Revised Estimate
Principal sums invested > 365 days (maximum limit £7m)	£0.471m	£0.471m	£0.471m

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer- Citizen, Culture & Facilities

Audit Committee: 13 December 2023

Subject: Scottish Public Services Ombudsman Complaints Report 2022-23

1. Purpose

- 1.1** The purpose of this report is to present the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2022 – 31 March 2023.

2. Recommendations

- 2.1** It is recommended that Committee:

- Notes the contents of the report and the ongoing commitment at a service and strategic level to monitor complaints and ensure compliance with Scottish Public Services Ombudsman (SPSO) timelines.

3. Background

- 3.1** West Dunbartonshire Council administers the SPSO complaint handling model operating in line with all other Local Authorities. Complaints continue to be managed centrally by the Customer Relations team for all Council services. Complaints regarding West Dunbartonshire Health and Social Care Partnership (HSCP) are managed independently by the partnership.
- 3.2** Statutory appeals and reviews, such as planning decision appeals, continue to be directed to the relevant decision making body, and are not processed through the SPSO office.
- 3.3** The Complaints Handling Process is well established and understood by both Citizens and staff. Centralised complaints handling ensures an open and transparent process. Complaints are valued because they provide an insight into services, and how the Council is performing. The feedback offers valuable information helping to inform service planning, improve how services are delivered and ensure customer's voices are heard and views considered. Customers who remain dissatisfied with the final outcome of their complaint are openly directed to the SPSO to have their case considered for review.
- 3.4** West Dunbartonshire Council acts as factor for the buildings where we retain an interest with tenanted properties. Anyone who remains dissatisfied with the outcome of their complaint may be also signposted to the First-tier Tribunal for Scotland (Housing and Property Chamber). The Tribunal is an independent and impartial judicial body whose function is to review complaints

from homeowners who consider their property factor has failed to perform its factoring duties or failed to comply with the Property Factors' Code of Conduct.

- 3.5** As a member of the Local Authority Complaints Handlers Network, the Council continues to fully engage in sharing of good practice and developing consistent approaches to complaints handling and reporting. Network meetings are held regularly, with SPSO in attendance at each meeting.

4. Main Issues

- 4.1** The SPSO delivers an annual report to each Local Authority detailing the number of complaints reported to its office. **Appendix 1** provides a breakdown of enquiries handled by SPSO relating to West Dunbartonshire Council for 2022-23 together with comparison data for 2021-22. **Appendix 2** is a summary breakdown of complaints received by the Council in 2022-23. **Appendix 3** shows Social Work complaints handled by the HSCP for the same period.
- 4.2** In the year 2022-23, SPSO received 17 complaints regarding the Council, an increase of 2 from 2021-22. The highest proportion of complaints made by West Dunbartonshire citizens related to housing matters.
- 4.3** Of the 17 complaints to SPSO, 10 were handled at the Advice stage where 3 were deemed as premature, which is terminology used by the SPSO when the complainant has not exhausted the Council's complaints process. A further 7 were closed by SPSO following advice, this included 1 complaint which was mature and so could be responded to by SPSO, but following advice was not taken further. 6 complaints were handled at the Early Resolution Stage of which SPSO applied discretion in 2 cases where it deemed insufficient benefit would be achieved by investigation. There were 3 complaints closed as the subject matter was not in SPSO jurisdiction and a further 1 was referred back to the Council.
- 4.4** An investigation was carried out on one complaint raised against West Dunbartonshire Council. Following investigation the complaint was deemed fully upheld.
- 4.5** The low number of complaints considered by SPSO is positive and reflects on the high level of effective complaints handling within West Dunbartonshire Council. The SPSO investigated a complaint received regarding the handling of a Council Tax Account which related to an application for single person discount. Following investigation SPSO made 2 recommendations, firstly for the Council to apologise for the delays and lack of response. The SPSO also requested the Council to provide information on acceptable forms of evidence to support the single person discount application and for the application to be reassessed.

- 4.6** As outlined in Appendix 2, the Council handled 642 complaints internally in 2022-23. Of these, 549 were closed within 2022-23. The difference in complaints handled and closed is due to complaints being received during the reporting period, but still being worked on. The remaining 93 were closed in 2023-24 and will be included in appropriate reporting periods. When registering a complaint, residents' preferred method is by telephone which accounted for 41% of all complaints received. The online complaints form is the next preferred method accounting for 40%.
- 4.6** As noted above, the number of complaints received in 2022-23 was 642. This represents a decrease of 39% when compared to complaints received in 2021-22 (891). It is important to continue to encourage capturing expressions of dissatisfaction. Complaints data provides services with valuable information to inform service improvement and understand the expectations of Customers.
- 4.7** Of the 549 complaints closed, 80% were resolved within SPSO timescales, including with extension where applicable, representing an increase of 16% from 2021-22 (64%). Customer Relations maintain a focus on right first time and is committed to ensuring the quality of responses remains high whilst seeking to improve response times again in 2023-24.
- 4.8** In line with this, the service continues to work to encourage a culture of welcoming complaints and ensuring services across the Council use the data provided to identify and progress complaints improvement activity.

5. People Implications

- 5.1** There are no people implications arising from this report.

6. Financial and Procurement Implications

- 6.1** There are no financial implications arising from this report.

7. Risk Analysis

- 7.1** There is a reputational risk in not responding to complaints in defined time periods within the two stage process. Complaints data is closely monitored, including response times and quality of response from services. Customer Relations continue to work to support services to improve response timescales and maintain quality of complaints management.
- 7.2** There is a risk that services do not learn from the complaints received and do not adapt processes or policies to stop it happening again. To reduce this risk complaints data is reported quarterly to Performance, Monitoring and Review Group. Complaints data is also shared with Chief Officers and included within service delivery plans to ensure visibility and to assist in informing service improvements.

8. Equalities Impact Assessment (EIA)

- 8.1** The two stage process has been equality impact assessed at a national level. locally, all aspects have been considered and assistance to navigate the complaints process is available for all customers.

9. Consultation

- 9.1** Not applicable to this report.

10. Strategic Assessment

- 10.1** Effective complaints handling contributes to all four of the Council's strategic priorities.

Amanda Graham
Chief Officer
Citizen, Culture and Facilities
Date: 21/11/23

Person to Contact: Stephen Daly
Citizen & Library Manager
Citizen, Culture and Facilities
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01389 737263

Appendices: Appendix 1 – SPSO Complaints Data
Appendix 2 - Summary of Council Complaints 2022-23
Appendix 3 - Summary of HSCP Complaints 2022-23

Background Papers: None

Wards Affected: All Wards

West Dunbartonshire Council complaints closed 2022-23

Stage	Outcome Group	West Dunbartonshire Council
Advice	A&G - Complaint submissions - mature	1
	A&G - Complaint submissions - premature	3
	A&G - Enquiries	6
	Organisation not in jurisdiction	0
	Unable to proceed	0
	Total	10
Early Resolution	Cause and impact test not met (s 5 (3))	0
	Discretion – Insufficient benefit would be achieved by investigation	2
	Discretion – alternative action proposed	0
	Discretion – Alternative route used or available	0
	Discretion - Good complaint handling	0
	Discretion – referred back	1
	Discretion - Resolved - both parties satisfied with proposed outcome	0
	Member of the public test not met (s 5 (6))	0
	Organisation not in jurisdiction	0
	Premature	0
	Right of appeal to court/tribunal/Scottish ministers (s 7 (8))	0
	Subject matter not in jurisdiction	3
	Time limit (s 10)	0
	Unable to proceed	0
	Total	6
Investigation	Fully upheld	1
	Not duly made or withdrawn	0
	Not upheld	0
	Resolved	0
	Some upheld	0
	Total	1
Total		17

West Dunbartonshire Council complaints closed 2021-22

STAGE	OUTCOME GROUP	West Dunbartonshire Council
Advice	Member of the public test not met (s 5 (6))	0
	Premature	3
	Unable to proceed	2
	Total	5
Early Resolution	Cause and impact test not met (s 5 (3))	0
	Discretion – Insufficient benefit would be achieved by investigation	2
	Discretion – alternative action proposed	0
	Discretion – Alternative route used or available	0
	Discretion - Good complaint handling	5
	Discretion – referred back	2
	Discretion - Resolved - both parties satisfied with proposed outcome	0
	Member of the public test not met (s 5 (6))	0
	Organisation not in jurisdiction	0
	Premature	0
	Right of appeal to court/tribunal/Scottish ministers (s 7 (8))	0
	Subject matter not in jurisdiction	0
	Time limit (s 10)	0
	Unable to proceed	0
	Total	9
Investigation	Fully upheld	0
	Not upheld	1
	Outcome not achievable	0
	Resolved	0
	Some upheld	0
	Total	1
TOTAL COMPLAINTS		15

Year 2022-23

Year 2022-23	Complaints Received							Complaints Closed										Outcome					
	Total Complaints Received	Complaints Received Stage 1	Complaints Received Stage 2	Total complaints closed	Closed at Stage 1	Closed within 5 Working Days	Extension Stage 1	Exceeded S1 deadline after extension ie +10days	Total working days to close Stage 1 complaints	Average working days to close S1	Closed at Stage 2	Closed within 20 working days	Extension Stage 2	Exceeded S2 deadline after extension ie +25	Total working days to close Stage 2 complaints	Average working days to close S2	Escalated from Stage 1 to 2	Upheld Stage 1	Not Upheld Stage 1	Upheld Stage 2	Not upheld Stage 2	Resolved	
Performance & Monitoring																							
Citizen, Culture & Facilities	29	28	1	27	25	21	2	2	101	4	1	0	1	0	27	27	0	24	1	1	0	1	
Education, Learning & Attainment	28	26	2	17	16	12	3	1	64	4	1	1	0	0	12	12	0	8	8	0	1	0	
Housing & Employability	60	55	5	48	44	28	6	10	284	6	4	0	1	3	214	54	0	18	26	1	3	0	
People & Technology	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Regulatory & Regeneration	6	5	1	5	5	2	1	2	40	8	0	0	0	0	0	0	0	3	2	0	0	0	
Resources	61	58	3	59	31	23	4	4	260	8	1	0	1	0	35	35	0	16	15	0	1	27	
Roads & Neighbourhood	102	100	2	65	51	43	4	4	183	4	0	0	0	0	0	0	0	32	19	0	0	14	
Supply, Distribution & Property	356	348	8	328	323	191	56	76	3507	11	5	3	2	0	115	23	0	248	75	3	2	0	
Totals	642	620	22	549	495	320	76	99	4439	9	12	4	5	3	403	34	0	349	146	5	7	42	
Complaint Category			Upheld per category Stage 1		Upheld per category Stage 2		Performance																
							% of complaints closed within SPSO timescales										80%						
Below declared service standard		0		0		0		average working days to close Stage 1 complaints										9					
Citizen expectation not met - quality of service		437		230		5		average working days to close Stage 2 complaints										34					
Citizen expectation not met – timescales		124		67		0		% of Stage 1 complaints upheld										71%					
Council policy – charges		5		0		0		% of Stage 2 complaints upheld										42%					
Council policy – does not meet criteria		0		0		0																	
Council policy – level of service provision		1		1		0		Channel Received						Equalities									
Delay in service delivery		0		0		0		E-mail						115		Equality concern raised				0			
Employee behaviour		50		33		0		Online Complaints form						255									
Error in Service Delivery		5		2		0		Internal Complaints form						8									
Failure to deliver service		10		8		0		In Writing						2									
Service standards not declared		0		0		0		By telephone						260									
Contractor		10		8		0		Face to Face						2									
						0		Social Media						0									
Total		642		349		5		TOTAL						642									

WDHSCP - SMT
Period: 1st April 2022 - 31st March 2023

Social Work Services	Total
Children's Health, Care & Criminal Justice	9
Community Health and Care Services	12
Mental Health, Learning Disability & Addictions	3
Total	24
Subject	
Communication	1
Failure to fulfil statutory responsibilities	
Failure to provide service	5
Failure to Achieve Standards	11
Data Breach	2
Bias or unfair discrimination	
Employee Attitude	1
Withdrawn	2
Ongoing	2
Response	
Acknowledged within 3 days	15
Response within 28 days	6
Outcomes	
Upheld	1
Partially Upheld	8
Not Upheld	11
Withdrawn	2
Ongoing	2