



# Agenda

## Audit Committee

**Date:** Wednesday, 9 November 2022

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**Time:** 10:00

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**Venue:** Council Chambers, Clydebank Town Hall, 5 Hall Street, Clydebank, G81 1UB

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**Contact:** Ashley MacIntyre, Committee Officer  
[ashley.macintyre@west-dunbarton.gov.uk](mailto:ashley.macintyre@west-dunbarton.gov.uk)

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 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: 27 October 2022

**AUDIT COMMITTEE**  
**WEDNESDAY, 9 NOVEMBER 2022**

**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 the 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 10 August 2022.

**4 OPEN FORUM**

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

**5 STRATEGIC RISKS 2022-2027 7 – 31**

Submit report by the Chief Officer – People and Technology setting out proposed changes to the strategic risks for 2022-2027 following the Strategic Plan developments.

**6 TREASURY MANAGEMENT STRATEGY MID YEAR REPORT 33 - 46  
2022/23**

Submit report by the Chief Officer – Resources providing an update on treasury management to 31 August 2022.

**7 TREASURY MANAGEMENT ANNUAL REPORT 2021/22 47 - 61**

Submit report by the Chief Officer – Resources providing an update on treasury management during 2021/22.

**8/**

**8 ANNUAL AUDIT REPORT 2021/22 To Follow**

Submit report by the Chief Officer – Resources in relation to the above.

**9 AUDITED FINANCIAL STATEMENTS 2021/22 To Follow**

Submit report by the Chief Officer – Resources in relation to the above.

**10 INTERNAL AUDIT PLANS 2021/22 AND 2022/23 - PROGRESS TO SEPTEMBER 2022 63 - 81**

Submit report by the Chief Officer – Resources advising of progress at 30 September 2022 against the Internal Audit Plans for 2021/22 and 2022/23.

**11 NATIONAL FRAUD INITIATIVE EXERCISE 2020/21 83 - 88**

Submit report by the Chief Officer – Resources advising of the Audit Scotland Report “National Fraud Initiative 2020/21” published in August 2022 and providing an overview of the key messages and recommendations raised in the report and how these issues are being addresses by the Council.

## **AUDIT COMMITTEE**

At a Meeting of the Audit Committee held in the Council Chambers, Clydebank Town Hall, Clydebank on Wednesday, 10 August 2022 at 10.00 a.m.

**Present:** Councillors Karen Conaghan, Craig Edward, Jonathan McColl, James McElhill, Michelle McGinty, John Millar and Martin Rooney.

**Attending:** Laurence Slavin, Chief Officer – Resources; Andi Priestman, Shared Service Manager – Audit & Fraud; Julie Slavin, Chief Finance Officer; Andrew Brown, Senior Education Officer and Ashley MacIntyre, Committee Officer.

**Also attending:** Christopher Gardner, Senior Audit Manager, Audit Scotland.

**Apologies:** Apologies for absence were intimated on behalf of Councillor Ian Dickson and Lay Member Mr Christopher Johnstone.

**Councillor Karen 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 MEETING**

The Minutes of Meeting of the Audit Committee held on 15 June 2022 were submitted and approved as a correct record.

### **OPEN FORUM**

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

## **ACCOUNTS COMMISSION: LOCAL GOVERNMENT SCOTLAND OVERVIEW 2022**

A report was submitted by the Chief Officer – Resources providing information on a national audit report which was received from the Accounts Commission.

After discussion and having heard the Chief Officer – Resources and the Senior Audit Manager, Audit Scotland in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report together with Appendix 1 to the report.

## **INTERNAL AUDIT PLANS 2021/22 AND 2022/23 PROGRESS TO 30 JUNE 2022**

A report was submitted by the Chief Officer – Resources advising of progress at 30 June 2022 against the Internal Audit Plans for 2021/22 and 2022/23.

After discussion and having heard the Shared Service Manager – Audit & Fraud 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 1 FEBRUARY TO 15 JULY 2022**

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 1 February and 15 July 2022.

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

The meeting closed at 10.57 a.m.

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer – People & Technology****Audit Committee: 9 November 2022**

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**Subject: Strategic Risks 2022-2027****1. Purpose**

- 1.1 To set out proposed changes to the strategic risks for 2022-2027 following the Strategic Plan developments.

**2. Recommendations**

- 2.1 It is recommended that the Committee agree:

- The strategic risks as detailed at Appendix 1

**3. Background**

- 3.1 The Council's 2017 – 2022 Strategic Risks came to a natural end on 31<sup>st</sup> March 2022. Following a review, new risks have been developed, as well as revisions to existing and proposed deletions of those no longer required. Table 1 includes details of risks to be carried forward into the next five year plan and those that are being retired. Table 2 includes details of the full suite of Strategic Risks proposed for 2022-2027.
- 3.2 The appended risks have been fully reviewed and re-assessment will be undertaken bi-annually before being reported to this committee. This report will also be submitted as agreed to the Corporate Services Committee on a bi-annual basis.

**4. Main Issues**Strategic Risk

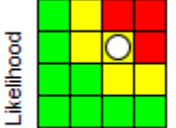
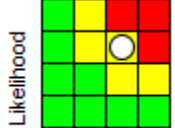
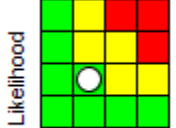
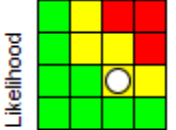
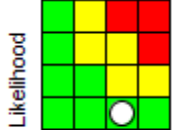
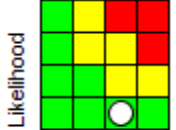
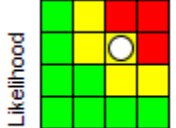
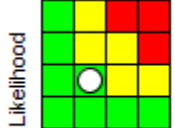
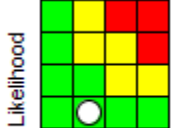

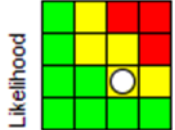




- 4.1 In line with the Council's Risk Management Framework, an assessment of the Strategic Risks has taken place as detailed within Appendix 1. Each risk is managed through internal controls, linked actions and associated milestones with the objective being to reduce or stabilise the level of risk through completion of linked actions over a period of time and / or ensure mitigation factors are adequate should the risks actually materialise.
- 4.2 Table 1 represents a risk dashboard that includes information on the 2017-22 Strategic Risks. This gives information on the original risk rating, risk rating at

completion of the Strategic Plan 31<sup>st</sup> March 2022 and the target rating. This will also highlight those risks that have been retired and won't be carried forward into the 2022-2027 Strategic Plan. Four Strategic Risks met their target, a further four progressed and were close to reaching their assigned targets. Four risks were off target and unlikely to reach their intended outcome.

**Table 1** Key Strategic Risk Information 2017 -2022







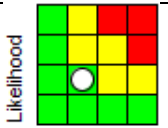
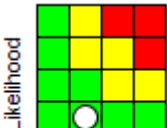

Strategic Risk	Original Risk 2017 *2020 for SR012 Pandemic	Risk on 31 <sup>st</sup> March 2022	Target Risk 2022	Recommendation for 2022-27
<b>SR 001</b> Significant financial funding reductions / limitations from Scottish Government				Continue
<b>SR 002</b> School improvements.				Continue
<b>SR 003</b> Council Assets.				Continue but split into 3
<b>SR 004</b> Information Technology.				Continue
<b>SR 005</b> Partnerships.				Continue but combine with SR006
<b>SR 006</b> Citizens and Communities.				As above
<b>SR 007</b> Health and Safety of Employees and Others				Continue

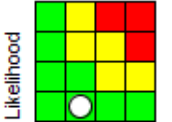
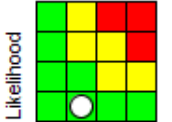

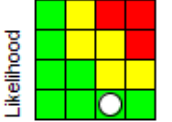
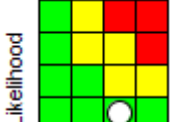

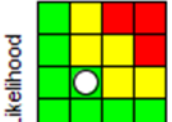
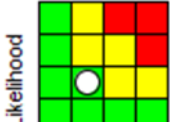

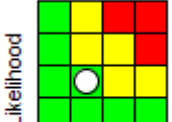
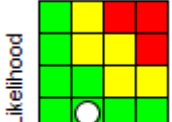

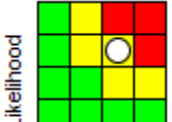
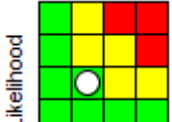

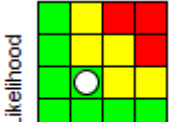
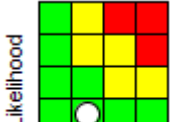

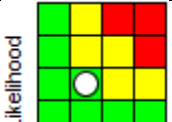
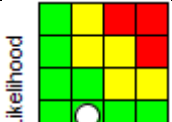

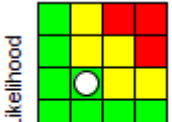
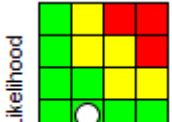



<b>SR 008</b> Cyber Attack.				Continue
<b>SR 009</b> Early Years Agenda.				Retire
<b>SR 010</b> Resourced Workforce.				Continue
<b>SR 011</b> EU Exit				Retire
<b>SR 012</b> Pandemic (COVID)				Retire

**Table 2**

Table 2 represents a risk dashboard that includes information on the new 2022-27 Strategic Risks. This gives information on the current rating and target rating.

Strategic Risk	Current Risk 2022	Target Risk 2027	Risk Status
<b>SR 001</b> Significant financial funding reductions / limitations from Scottish Government			
<b>SR 002</b> Challenges in implementing broad-ranging school improvement to raise attainment and achievement			
<b>SR 003</b> Maintaining Council Assets that are fit for purpose			

<b>SR 004</b> Keeping abreast of developments in the innovative use of Information Technologies			
<b>SR 005</b> Engaging positively with Residents, Communities & Partnerships			
<b>SR 006</b> Challenges in protecting the Health and Safety of Employees and Others			
<b>SR 007</b> Complexities in ensuring an appropriately resourced and resilient workforce			
<b>SR 008</b> Threat of Cyber Attack			
<b>SR 009</b> Challenges in delivering effective services in relation to Roads & Neighbourhoods			
<b>SR 010</b> Failure to maintain Housing Stock			
<b>SR 011</b> Inability to reduce carbon footprint in line with targets			

## Risk Methodology and Reporting

**4.3** Each strategic risk is populated in Pentana in terms of the following template:

- Risk title and code;
- Description;
- Ownership;
- Potential effect;
- Measures of impact;
- Risk factors;
- Internal controls;
- Risk opportunity; and
- Linked actions.

**4.4** Each risk has been scored using a “4 x 4” matrix for likelihood and impact in relation to:

- Current risk (with review dates set at pre-determined intervals); and
- Target risk (i.e. 31 March 2027 - the duration of the Strategic Plan).

The risk descriptors used in the “4 x 4” matrix are as follows:

### Likelihood

<u>Score</u>	<u>Descriptor</u>
1	Unlikely
2	Likely
3	Very likely
4	Certain

### Impact

<u>Score</u>	<u>Descriptor</u>
1	Minor
2	Moderate
3	Significant
4	Critical

**4.5** For ownership, each strategic risk is “Managed By” a Chief Officer and “Assigned To” a Senior Officer. Strategic risks are also reported on a bi-annual basis to the Performance & Monitoring Review Group.

### Service Risk

**4.6** Following the methodology in 4.3 to 4.4 above, each service has service owned operational risk registers in Pentana; these will be fully reviewed through the 2022/23 service planning process alongside development of the Council’s next five year strategic plan.

#### **4.7 Failure to implement broad-ranging school improvement to raise attainment and achievement SR002**

SR002 did not reach its intended outcome due to the pandemic period. The pandemic affected national and local outcomes in education attainment and equity due to periods of school/ ELC closure; absence due to Covid and shielding. The risk reporting period ended on 31<sup>st</sup> March 2022 and The Education Service had a recovery strategy for attainment in place. This needed a full academic year (August 2021 to June 2022) to have an impact on attainment although employee and pupil absences due to Covid were still being experienced. However, in academic session 2021/22, a narrowing of the attainment gap and increase in attainment was achieved in the attainment levels in the Broad General Education at primary level.

#### **4.8 Threat of Cyber-attack SR008**

SR008 did not reach its target rating, due to a number of factors. The cyber threat continues to evolve with Ransomware being the biggest threat even during this period of Geo-political instability. Work has been undertaken to continue securing the Confidentiality, Integrity and Availability of our data and has resulted in procurement and implementation of new technologies such as scanning and remote control for end user device support alongside new processes for contact with end users have also been implemented to address some of the challenges. New ways of working, including increased remote access users, robotic process automations, digital transformations and adoption of Cloud based technologies all have an impact on the risk profile of the organisation and ICT continue to work with service areas to reduce and mitigate emerging risks. Lack of user awareness within organisations still remains one of the biggest Cyber Security threats, with a visible increase in Voice Phishing attempts being seen throughout the organisation. To combat this we have resumed physical training events to Elected Members, the Joint Consultative Forum and senior management within the Council. Face to face cyber security training combined with DPA and fraud awareness sessions has also resumed as part of the OD and change learning offerings, these have been well attended.

Work continues to take place to improve our security posture in line with the national Public Sector Action plan (PSAP) and Public Sector Network (PSN) compliance. Vigilance of the National Cyber Security Centre (NCSC) Cyber Security guidance continues to remain in place in light of any changes regarding the geopolitical instability in Ukraine and the surrounding areas'

## 4.9 Retired Risks

### 4.9.1 SR009 Failure to Deliver the Early Years Agenda, SR011 EU Exit and SR012 Pandemic (Covid) have all been retired.

SR 009 is being retired as the entitlement was met in May 2021 and the Council have met the Statutory Consultation requirements but, the quality of Early Learning Centre (ELC) and curriculum delivery of the new model will be closely monitored and supported by the central early years' team. Outdoor expansion projects at various locations will be completed in the next few months. Additional projects are at various stages of planning/implementation:

- Linnvale ELCC planning in place, building warrant and start date required
- St Mary's ELCC Alexandria – planning in place, building warrant and start date required
- Christie Park Primary School – plans have been drawn up.
- 

In respect of levels of success, 40 ELC settings (including 11 funded partner providers) have all been evaluated at good and above and meet the national standard criteria. 10 ELC were inspected by the Care Inspectorate between August 2021 and August 2022; evaluative grades awarded were good and above. None of the services were evaluated below the level of good. There is evidence of strong improvement and quality of provision at the 10 ELC in the sample of inspections last session. Published reports provide detailed evidence and answer key questions: *How good is our care, play and learning? How good is our setting? How good is our leadership? and How good is our staff team?*

### 4.9.2 SR011 is being retired. The UK has left the EU and although it remains important to acknowledge ongoing uncertainty, the incorporation of impacts is included in core risk frameworks. This allows the impacts of EU Exit to be monitored while increasing the efficiency/ effectiveness of the ongoing overall risk monitoring process. The risks are continuing to be monitored appropriately. If any particular area grows again in the future, the approach will be adapted to fit. The plans will similarly be stood down.

### 4.9.3 SR012 is being retired. There is no longer any national management of covid-19. All covid-19 rules and restrictions have been lifted in Scotland. Masks are no longer required (other than in some health care settings), the Health & Safety Executive (HSE) no longer require covid-19 cases to be reported and there is an annual booster programme in place for certain groups. The Council has a resilience plan in place which can be lifted if necessary. The Scottish Government have in place a Covid Recovery Strategy: for a fairer future. The strategy focuses on the efforts required to tackle inequality and disadvantage. It will bolster the actions in the – NHS Recovery Plan, Education Recovery Plan and Justice Recovery Plan.

### 4.10 Following consultation with risk owners and a review of the proposed Strategic Plan and Priorities 2022-2027, the development of a new risk surrounding the

Council's targets in relation to our Carbon footprint was agreed '*SR011 Inability to reduce carbon footprint in line with targets*'. This target has been developed in a way that mirrors the emission reduction trajectory set by the Scottish Government in light of the Climate Emergency and visibility of our efforts to achieve these targets is important.

- 4.11** Council Assets has been split into three separate risks: '*Challenges in delivering effective services in relation to Roads & Neighbourhoods*', '*Failure to maintain Housing Stock*' and '*Maintaining Council Assets that are fit for purpose*'. This will allow a more focussed analysis of these risks and the mitigations in place to effectively manage them.

## **5. People Implications**

- 5.1** There are no people implications associated with this report, other than in relation to the mitigation of risks

## **6. Financial and Procurement Implications**

- 6.1** There are no financial and/or procurement implications directly associated with this report however there are in relation to the expenditure linked to mitigation.

## **7. Risk Analysis**

- 7.1** Failure to ensure robust risk management is likely to result in the Council being criticised by External Auditors for not having an integrated approach to embedding risk management within the authority with the result that a "no scrutiny required" status would not be achieved.

- 7.2** Progressing with a robust risk management approach will demonstrate that the Council is taking ownership of risk management and ensuring effective measures are in place. The ability to demonstrate risk ownership should benefit the Council in terms of:

- Understanding risk and its potential impact on the Council's priorities and objectives;
- Reducing insurance premiums going forward by recognising that a mature approach to risk management will contribute to a reduction in the number and value of claims across a range of insurance classifications;
- Contributing towards incident prevention based upon post-incident investigation;
- Meeting statutory/regulatory requirements; and  
Ensuring better partnership working with external and internal partners.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** EIA 548 notes the positive impacts of an approach to risk that integrates

considerations on equalities, human rights health and social and economic impacts, that is aligned with the content of the new Strategic Plan.

## **9. Consultation**

**9.1** The strategic risks have been discussed with the Chief Officers and senior management. The reports to committee are available to the Trades Union and consultation undertaken as required.

## **10. Strategic Assessment**

**10.1** The Council will agreed its main strategic priorities for 2022-27 at its meeting on 26 October 2022. Due to timelines this report will be submitted prior to this meeting. However the proposed priorities are:

- Our Communities - Resilient and Thriving
- Our Environment - A Greener Future
- Our Economy - Strong and Flourishing
- Our Council - Inclusive & Adaptable

**10.2** The strategic risks have been identified to complement the main strategic priorities.

**Name:** Victoria Rogers  
**Designation:** Chief Officer People & Technology  
**Date:** 7 October 2022

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**Person to Contact:** Anna Murray, Risk & Health and Safety Officer  
Email [Anna.Murray@west-dunbarton.gov.uk](mailto:Anna.Murray@west-dunbarton.gov.uk)

**Appendices:** Appendix 1: Detailed Strategic Risk List



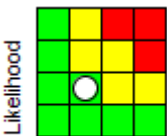
**Background Papers:** Dunbartonshire Council Strategic Plan DRAFT 2022-2027 (once available)  
Risk Management Framework  
EIA screening





# Strategic Risk Report

Generated on: 14 October 2022

 <p><b>SR 01 Significant financial funding reductions / limitations from Scottish Government</b></p>	<p>It is expected that the Council will be faced with significant ongoing funding reductions/limited increases from the Scottish Government settlement. This is based on recent settlements, the March 2022 Resource Spending Review which states that Council funding will remain as 'flat cash' (at current 2022/23 levels) until 2025/26 with a £100m added in 2026/27 – the real term impact of this (taking inflation into account) for the next four years is a 7% reduction between 2022/23 and 2026/27. This coincides with a period where costs are expected to rise in relation to social care due to an aging population; inflationary increases with RPI at a level not seen since 1991; post-COVID-19 ongoing costs; increases in the cost of borrowing as interest rates increase and pay award pressures linked to inflation. The ongoing population decline of West Dunbartonshire versus the average population for the whole of Scotland leads directly to funding reductions with marginal impact on service delivery cost/need. On a UK wide level September 2022 announcements in relation to changes in taxation by the UK Government may result in a reduction in public spending in order to fund these changes and it remains to be seen if this has an impact on the money made available for local government service delivery.</p>					
Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
 <p>Likelihood</p> <p>Impact</p>	04-Oct-2022	<b>12</b>	 <p>Likelihood</p> <p>Impact</p>	31-Mar-2027	<b>4</b>	Gillian McNeilly
<b>Potential Effect</b>	Shortfall in finances and therefore the Council is unable to provide all services as intended.					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>- Reduction in government grant</li> <li>- Demographic change (population decline/growth, aging population)</li> <li>- Cost reduction required including cutting level and/or quality of service provision</li> <li>- Increased Debt (collection of Council Tax, HRA rents, etc)</li> </ul>					
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>- Level of government grant</li> <li>- Lack of time to plan for changes in the level of grant funding due to single year settlements and settlement information from Scottish Government</li> <li>- General inflationary factors</li> <li>-Bank of England Base Rate increases</li> <li>-ongoing prevalence and impact of COVID-19</li> <li>- Significant additional burdens</li> <li>- Capital receipts</li> <li>-EU Exit</li> </ul>					
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>- 10 year Financial Strategy subject to regular review</li> <li>- Monitor and maintain General Services and Housing Revenue Account prudential targets</li> <li>- Reporting and monitoring of Treasury Management Strategy</li> <li>- Budgetary control process</li> <li>- Regular budgetary control and savings monitoring reports provided to CMT and Council / committees</li> <li>- Rigorous debt collection processes</li> <li>- Annual Internal Audit Plan</li> <li>- Work of External Auditors (external control) - Annual Governance Statement - Procurement Improvement Plan</li> </ul>					
<b>Latest Note</b>	<p>As reported to the Council on 9 March 2022 the Scottish Parliament Information Centre (SPICE) analysis of the UK Budget highlighted that the total (unadjusted) Scottish block grant will increase from £36.7 billion (excluding COVID funding) in 2021/22 to £41.8 billion by 2024/25. This is a 2.4% real terms increase over the period of the Spending Review however this increase is front loaded, with a 7.7% real terms increase in 2022/23 (10.6% cash terms increase) followed by small percentage real term reductions in the following two years. Despite the 10.6% cash increase in the Scotland Block Grant in 2022/23 the Council's general revenue grant in 2022/23 was virtually flat cash. As a flat cash allocation has occurred in the year where the Scotland Block Grant has increased significantly, and future year cash increases are far lower it is almost certain there will be reductions to Local Government funding in future years.</p>					

<b>Risk Opportunity</b>	- Annual exercise to identify efficiencies - Projects to implement new ways of working (e.g. digitisation, asset management) - Enhance the reputation of the Council as an organisation which manages its finances soundly
<b>Linked Actions Code &amp; Title</b>	<b>Progress</b> <b>Status</b> <b>Assigned To</b>
RES/22-23/011 Review financial arrangements against the CIPFA financial code of practice	<input type="text" value="100%"/> Gillian McNeilly
WFP/22-23/RES/03 Implement service review process including role design, use of new technology and new ways of working to add resilience, address gaps, and establish opportunities for efficiencies	<input type="text" value="0%"/>
RES/22-23/010 Review capital programme, monitoring and reporting	<input type="text" value="0%"/> Gillian McNeilly
RES/22-23/012 Maximise automation opportunities across the organisation to improve efficiency	<input type="text" value="0%"/> Arun Menon
RES/22-23/001 Review ways of decreasing corporate debt through continued improvements to debt collection processes in relation to sundry, NDR, Council Tax and rent	<input type="text" value="11%"/> Ryan Chalmers
RES/22-23/002 Review ways to improve rent collection rates in conjunction with Housing and W4U	<input type="text" value="16%"/> Ryan Chalmers; Stefan Kristmanns

<b>SR 02 Challenges in implementing broad-ranging school improvement to raise attainment and achievement</b>	<p>This risk concerns the delivery of excellence and equity for our young people to support them to attain and achieve at the highest level. In particular, it is aimed at bridging the attainment gap and breaking the cycle of disadvantage. This also includes the focus on intervention at early years to improve life chances at all points on the learning journey.</p> <p>A key national and local priority is to accelerate progress with the aspirations to deliver improved attainment, tackle the poverty related attainment gap and recover from any negative impact of the pandemic. Scottish Equity funding devolved to local authorities aims to deliver on priorities between 2023-26.</p>
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Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
	04-Oct-2022	<b>6</b>		31-Mar-2027	<b>2</b>	Julie McGrogan

<b>Potential Effect</b>	The national expectation for education would not be delivered. Improved outcomes for young people would not be attained and achieved. The Council would fail to meet the needs of individual learners. The Service would fail to bridge the attainment gap and break the cycle of disadvantage. The Council would fail in its legal duty for the education of young people within West Dunbartonshire. There would be reputational damage to the service and the wider Council. There would be a lack of income generation from external funding sources.
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<b>Measures of Impact</b>	Examination results - Her Majesty's Inspectors of Education inspection reports - validation reports - stakeholder feedback - local learning community attainment data - control group model - small test of change model - risk matrix model - bespoke model of intervention for young people and families at early stages to improve on attendance/lateness; social and emotional health; supports for mental health issues; parenting/behaviour management skills and early linguistic & cognitive development - pre/post intervention assessment - increased expectation of raising attainment being the responsibility of all - school to school collaboration with locally initiated bottom-up enquiry - higher level of Science Technology and Maths subject uptake in secondary schools - increased numbers of learners entering STEM related career pathways - standardised literacy and numeracy tests Local authority stretch aims to be delivered by 2023; and monitored by national agencies against national benchmarks.
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<b>Risk Factors</b>	Staff resources - adequate funding for projects - workforce development - effective leadership - accurate and timely data collection - accurate and timely reporting - effective communication with partners and external agencies - disrupted learning - staff absence - pupil absence - adapted model of delivery to ensure safety - limiting curriculum flexibility - learning style flexibility - impact of COVID on social and emotional wellbeing - risk to funding streams. There is a change to the local authority funding model for Scottish Equity Fund (SEF) with an annual tapered reduction of funding to WDC between 2022-2026. This will reduce resources available to deliver work streams related to SEF.
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<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>-Raising Attainment Strategy</li> <li>-Project management by Senior Education Officer</li> <li>-Education Improvement Board chaired by Chief Education Officer</li> <li>-Scrutiny by Scottish Government and Education Scotland (progress reports produced and submitted)</li> <li>-WDC Improvement Framework</li> <li>-Termly progress reports submitted as part of Educational Service committee reports</li> <li>-Relevant Continuous Professional Development programme to support education staff</li> <li>-Meetings between WDC and Education Scotland/Her Majesty's Inspectors of Education</li> <li>-BGE Attainment and Performance Data</li> <li>-Literacy, Numeracy and HWB Steering Group</li> <li>-National Improvement Framework (NIF)</li> <li>-Education Recovery Plan</li> </ul>
<b>Latest Note</b>	<p>Building on achievements made since 2015 the service is developing plans to both accelerate and embed progress in academic sessions 2021/22 and 2022/23, these plans are being reviewed to reflect the refreshed SAC programme. The key risk to ongoing progress is SG's plan for a tapered SAC funding model between 2022 to 2026.</p> <p>In academic session 2021/22, a narrowing of the attainment gap and increase in attainment was achieved in the attainment levels in the Broad General Education at primary level.</p>
<b>Risk Opportunity</b>	<p>Improved attainment - improved attendance - reduced exclusions - reduced violent incidents - reduction requirement for targeted support over time - reduction requirement for specialist placements over time - improved learning &amp; community engagement - children/pupils at risk identified earlier and more effectively - more empowered community providing self-sustaining peer support - increase in the percentage and range of positive destinations over time - increased access to digital learning resources</p>



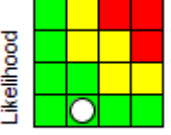





Linked Actions Code & Title	Progress	Status	Assigned To
ELA/21-22/DP/01 Deliver the best start in learning	<div style="width: 90%;"><div style="background-color: #4f81bd; width: 90%;"></div></div> 90%		Kathy Morrison
ELA/21-22/DP/03 Increase attainment and positive destinations	<div style="width: 54%;"><div style="background-color: #4f81bd; width: 54%;"></div></div> 54%		Andrew Brown; Julie McGrogan
ELA/21-22/DP/04 Review and improve support for reducing inequity	<div style="width: 58%;"><div style="background-color: #4f81bd; width: 58%;"></div></div> 58%		Claire Cusick
ELA/21-22/DP/05 Develop empowered leadership to provide the highest quality of learning and teaching	<div style="width: 65%;"><div style="background-color: #4f81bd; width: 65%;"></div></div> 65%		Claire Cusick; Julie McGrogan

	<b>SR 03 Maintaining Council Assets that are fit for purpose</b>		The risk that the Council's assets and facilities are not fully fit for purpose with consequent adverse impact on our ability to deliver efficient and effective services. Assets included in this assessment are; the Council's property portfolio and open space			
Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
	04-Oct-2022	<b>4</b>		31-Mar-2027	<b>2</b>	Craig Jardine; Michelle Lynn
<b>Potential Effect</b>	<ul style="list-style-type: none"> <li>- Assets are not utilised in the most effective and efficient manner</li> <li>- Service cannot be properly delivered to the satisfaction of service users</li> <li>- Service users seek alternative service provision</li> <li>-Increase in reactive maintenance costs/ demand/ volume</li> <li>-Council assets in poor conditions -Council assets fail to meet relevant standards</li> </ul>					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>- Condition surveys</li> <li>- Suitability surveys</li> <li>- Customer perceptions of service delivery</li> <li>- Investment levels in upkeep and improvement of asset base and facilities -Asset user satisfaction - Operating costs and savings</li> </ul>					
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>- Adequacy of funding available to improve asset base</li> <li>- Adequacy of staff resources allocated to the area of asset management</li> <li>- Council buildings/ assets deemed to be unfit for existing purpose</li> <li>- Economic conditions may reduce level of potential capital receipts from surplus property sales - Increase public liability claims</li> <li>-EU Exit</li> </ul>					
<b>Internal Controls</b>	- Corporate Asset Management Strategy (currently under review)					

	<ul style="list-style-type: none"> <li>- Learning Estate Strategy</li> <li>- Capital Investment Team</li> <li>- Capital project meetings are carried out monthly in addition to project specific meetings.</li> <li>- Property Asset Management Plan</li> <li>- Capital plan</li> <li>- Detailed asset database that shows relevant information on a property by property basis in relation to operational, non-operational - Sustainability Policy</li> </ul>			
<b>Latest Note</b>	The current plan will continue into 2022/23 but this risk has been split into 3; Maintaining Council Assets that are fit for purpose, Failure to maintain Housing Stock and Challenges in delivering effective services in relation to Roads & Neighborhood. The new 5 year Corporate Asset Management Strategy and Property Action Plan will be developed in 2022/23 to ensure it meets the aspirations of the new Strategic Plan. No change to risk matrix.			
<b>Risk Opportunity</b>	<ul style="list-style-type: none"> <li>-Enhance reputation of Council by being able to improve Council assets.</li> <li>-Estate, assets and service delivery (e.g. new school buildings, operational building upgrades, office and depot rationalisation projects)</li> <li>- Enhance employee "feel good" factor by providing modern office accommodation equipped with up to date IT facilities</li> <li>-Improved satisfaction from public building users</li> <li>- Secure external funding for development of assets (e.g. EC, lottery, Historic and Environment Scotland)</li> <li>- Prioritised Building Upgrade Plan - The effect of these energy efficiencies has demonstrated that significant savings and environmental benefit can be achieved through the utilisation of developing technology.</li> </ul>			
<b>Linked Actions Code &amp; Title</b>		<b>Progress</b>	<b>Status</b>	<b>Assigned To</b>
SD&P/22-23/CAM/04 Monitor the progress of disposal of key strategic sites over 22/23		<input type="text" value="25%"/>		Craig Jardine
SD&P/22-23/CAM/03 Progress delivery of the Corporate Asset Management Strategy to align with the Councils Strategic Plan		<input type="text" value="0%"/>		Craig Jardine

	<b>SR 04 Keeping abreast of developments in the innovative use of Information Technologies</b>	Failure to keep pace with changing technology environment				
<b>Current Risk Matrix</b>	<b>Last Review Date</b>	<b>Current Rating</b>	<b>Target Risk Matrix</b>	<b>Target Date</b>	<b>Target Rating</b>	<b>Assigned To</b>
 Likelihood Impact	29-Sep-2022	<b>2</b>	 Likelihood Impact	31-Mar-2027	<b>2</b>	Patricia Kerr; Brian Miller
<b>Potential Effect</b>	A lack of consistent, sufficiently robust service planning in respect of ICT arrangements is likely to result in the Council being ill prepared to meet future demands in key service areas and lacking the capacity to respond effectively to changing need such as increased requirement for remote working as identified during covid pandemic.					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>• Close relationship and working practices with Asset Management Service with regard to commissioning and decommissioning buildings.</li> <li>• Number of systems that have supplier maintenance contracts.</li> <li>• Invocation of Service Business Continuity Plans and ICT Disaster Recovery plan</li> <li>• Degree of compliance with security controls to prevent data loss through poor o/s patching, cyber attack, firewall configurations, switch replacements/upgrades etc</li> <li>• Fit for purpose primary and secondary data centres</li> <li>• Extent of wireless connections in the Council network – all schools and refurbished Office accommodation complete</li> <li>• Number of ICT Help Desk incidents resolved within half day - exceeded the target for 2021-22 and higher target set.</li> <li>• Extent of functionality development in key Council systems (i.e. lack of development beyond base system leading to ineffective management information) – several channel shift projects delivered and more are in progress.</li> <li>• Fit for purpose Council website, delivering information and services to a significant percentage of the Council's customers.</li> <li>• Provide efficient desktop services supporting laptops, chromebooks, PCs, Thin client terminals to meet changing workforce flexibility and property rationalisation requirements. 5-year Device replacement programme in place.</li> <li>• Implementation of mobile and flexible working, enabling a downsizing of required office accommodation</li> </ul>					



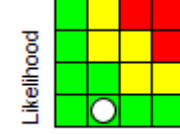
	<p>as people to work more efficiently and to adopt a more flexible policy towards office accommodation and desk provision.</p> <ul style="list-style-type: none"> <li>• Broadband speed in the Council area - WDC has 2nd highest broadband speeds in Scotland.</li> </ul> <p>Investigating funding options for fibre network.</p>		
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>• Insufficient resourcing of ICT developments so that benefits and opportunities identified are not realised</li> <li>• poor network security controls implemented for example • Lack of intrusion detections alerts,</li> <li>• failure to respond to audit / PSN test findings and recommendations,</li> <li>• insufficient resources allocated to security tasks. However Service redesign and ICT resources aligned to security tasks and improved monitoring processes and tools as well as additional tools purchased to help support remote working environment all help to mitigate this risk.</li> <li>• Poor Service Business Continuity Plans and/or Disaster Recovery Capability.</li> <li>• Poor project and programme change management arrangements.</li> <li>• Poor quality of mobile communication provision.</li> <li>• Poor uptake on channel shift.</li> </ul>		
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>- Capital programme established for technology refresh projects</li> <li>- Information &amp; Communication Technology (ICT) Policies such as ICT Security Framework</li> <li>- Governance structures such as ICT Steering Board, Education ICT Steering Board, Digital Transformation Board in place to support integrated planning and decision making in relation to ICT</li> <li>- Use of both internal IT resources from across the Council and skilled specialist advisers in key areas - Fit for purpose primary and secondary data centres</li> </ul>		
<b>Latest Note</b>	<p>Sept 2022 - Replacement interconnect firewall between NHS and WDC now operational in Aurora house. New rule sets in place as agreed with WDC and NHS IT Services</p> <p>Microsoft Intune deployed to enable remote imaging of devices and goes live Oct 3rd.</p> <p>Logmein went live August 22 and enables remote control of all devices including mobile phones.</p> <p>Citrix Cloud Proof of concept in place and testing underway with ICT/service areas.</p> <p>Progress continues on implementation of a new authentication method for public access wireless</p>		
<b>Risk Opportunity</b>	<ul style="list-style-type: none"> <li>- COVID-19 has increased the number of users and services working remotely. Several manual processes amended and driving process reviews across the Council. Opportunity to redesign infrastructure and introduce new tools and security measures to support hybrid working environments.</li> <li>- rapid deployment of conferencing technologies has helped drive demand and give visibility to importance and suitability of digital technologies and processes</li> <li>- annual network penetration tests and for PSN compliance audit</li> <li>- Annual External Audit on ICT Controls</li> <li>- Continued investment in ICT infrastructure and its focus on network security and resilience.</li> <li>- Provide appropriate technology for employees, pupils and service users as well as for ICT support teams such as Logmein for remote device support and Qualsys for device vulnerability scanning.</li> <li>- Rationalise IT systems</li> <li>- Provide Council employees with secure access to email and supporting systems at times and locations of choice as part of 365 project.</li> <li>- Increased use of mobile devices eg tablet devices, chromebooks and mobile phones.</li> <li>- Provide self service style systems to employees and the local community</li> </ul>		
<b>Linked Actions Code &amp; Title</b>	<b>Progress</b>	<b>Status</b>	<b>Assigned To</b>
P&T/22-23/ICT/03 Review and implement ICT processes and service improvements in line with new technologies	<div style="width: 40%;"><div style="background-color: #4f81bd; height: 10px; width: 40%;"></div></div> 40%		James Gallacher
P&T/22-23/ICT/03 Upskill ICT team in new tools and processes	<div style="width: 50%;"><div style="background-color: #4f81bd; height: 10px; width: 50%;"></div></div> 50%		James Gallacher

	<b>SR 05 Engaging positively with Residents, Communities &amp; Partnerships</b>	The risk that the Council fails to adequately engage, establish and maintain positive relationships with local residents and communities in addition to partnership bodies.				
Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
 Likelihood Impact	04-Oct-2022	<b>3</b>	 Likelihood Impact	31-Mar-2027	<b>2</b>	Clare English; Elaine Troup
<b>Potential Effect</b>	Potential for tensions to develop with residents and local community groups Reputational damage to council services Degradation of trust in service provision A failure of strong partnerships could impact on the Councils obligations under Community Empowerment Act					
<b>Measures of Impact</b>	Successful delivery of Local Outcome Improvement Plan (LOIP) and supporting plans positive partnership inspections Informed and engaged residents participating in consultation activity Telephone survey monthly, quarterly and annual measures Increased social media engagement and reach					
<b>Risk Factors</b>	Inability to deliver improved outcomes which require strong partnership activity Council's reputation is adversely affected through a failed partnership arrangement Lack of appropriate staff development / skills may be lacking to support new model of service delivery inequity of engagement across the partnership on key local issues Council seen as unresponsive to community if feedback from engagement not acted upon Apathy within communities leads to little or no engagement Some community groups feel their voices are not being heard					
<b>Internal Controls</b>	Robust partnership arrangements through community planning partnership Align the Council's strategic plan with the Local Outcome Improvement Plan (LOIP) Ensure that partners have signed up to deliver on the outcomes and targets set in the LOIP Develop data sharing protocols with partner agencies Participate in reform agenda as it impacts on Council area Ensure robust mechanisms for public feedback (Embedding the Strategic Engagement Framework) Annual budget consultation events Citizens Panel Open Forum questions at Council meetings					
<b>Latest Note</b>	Citizens & Communities & Partnerships were previously two separate risks but have been combined for the next 5 year Strategic Plan. Whilst the Community Planning Partnership is now being managed under a shared service agreement, it is well established with strong partnership working arrangements in place reducing likelihood of this risk being realised. We continue to promote and ensure strong communications and engagement through the Engaging Communities Framework. As well as gathering resident feedback, we ensure that key information is communicated through a variety of media channels including online, social media and publications such as Housing News.					
<b>Risk Opportunity</b>	Position West Dunbartonshire as a modernising Council Residents are more comfortable with the digital platform as a result of the enforced cessation of face to face services - this presents an opportunity to modernise communication Community Empowerment Act Participation requests Asset transfer					
Linked Actions Code & Title				Progress	Status	Assigned To
H&E/22-23/CT/01 Build community resilience and advance community empowerment including the development of a training programme to support the Community empowerment agenda				45%		Clare English
H&E/22-23/CT/03 Explore alternative forms of funding to encourage less reliance on mainstream council funding				60%		Clare English
H&E/22-23/CT/04 Deliver the objectives set out in the Community Empowerment Strategy and Action Plan through identified priority projects				0%		Clare English
H&E/22-23/CT/05 Lead on the Council's approach to Participatory Budgeting Mainstreaming across the organisation				0%		Clare English
H&E/22-23/CT/06 Develop an Employee Volunteering Policy to support the ambitions of the Community Empowerment (Scotland) Act 2015				0%		Clare English

H&E/22-23/CT/07 Identify and implement improvements in partnership working between the CCTV team and key partners to promote feelings of safety in the area	<input type="text" value="0%"/>		Clare English
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<b>SR 06 Challenges in protecting the Health and Safety of Employees and Others</b>	Failure to meet the Council's duty to protect the health, safety and welfare of its employees and other people who might be affected by its business
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Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
	28-Sep-2022	<b>4</b>		31-Mar-2027	<b>4</b>	Alison McBride
<b>Potential Effect</b>	Risk of an employee, service user, pupil (young person) or member of the public being seriously / fatally injured by fault of the Council. There are various risks associated with the outcome: reputational risk regarding negative publicity; financial risk in terms of claims management compensation to the injured party; risk of prosecution by the HSE resulting in a fine and/or a Council Employee being subject to criminal charges.					
<b>Measures of Impact</b>	Resources associated with in-house/HSE investigation. Service delivery impact in terms of injury-related absence and potentially enforced cessation of work activities. Impact of injury on employees/members of the public, legal proceedings, financial penalties, potential reputational damage and risk of criminal charges.					
<b>Risk Factors</b>	Lack of resources, inadequate policies, practices and H&S strategy.					
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>• Competent health and safety advice readily available from the Corporate H&amp;S team</li> <li>• Corporate health and safety plan developed and monitored via Pentana</li> <li>• Council has in place a robust H&amp;S policy and Fire Risk Management Strategy that includes service specific health and safety plans, duties and responsibilities for Chief Officers, managers and employees.</li> <li>• Adequate H&amp;S resources in place to that will allow statutory obligations in terms of the Health and Safety at Work etc. Act and the Management of Health and Safety at Work Regulations to be fulfilled.</li> <li>• Embedded H&amp;S culture that discusses H&amp;S issues at senior level and cascades throughout the organisation through the health and safety committee system.</li> <li>• Monthly reports to PMRG on organisational safety performance and issues.</li> <li>• Chief Officers attend service H&amp;S committees on a quarterly basis.</li> <li>• Workplace inspection and audit programme.</li> <li>• Service risk profiling.</li> <li>• H&amp;S training needs analysis for every employee group.</li> <li>• The Council has in place a Trade Union Health and Safety Partnership Agreement. • Council promotes health and safety training for TUs to diploma level.</li> </ul>					
<b>Latest Note</b>	The H&S team continue to review and streamline key service areas such risk, SMS and learning. Figtree has seen improvements in how risk assessments are managed and the team are looking to build on this with hazard reporting. A newsletter has also been developed to update and promote good practice. The team continue support all H&S committees and RPO's to ensure a consistent approach. The team also have improved the process in managing health surveillance with OH& line managers.					
<b>Risk Opportunity</b>	Demonstrate to committees, elected members, Trade Unions, employees, the community and other external partners evidence of robust H&S culture.					
Linked Actions Code & Title	Progress	Status	Assigned To			
P&T/22-23/P&C/03 Embed H&S commitments with service delivery and workforce planning. Build and support workforce groups to promote good practice	<input type="text" value="0%"/>		Stephen Gallagher			

	<b>SR 07 Complexities in ensuring an appropriately resourced and resilient workforce</b>		Failure to ensure that there is an appropriately resourced and resilient workforce in place to meet future organisational needs, in effectively executing the Council's 2022-27 Strategic Plan.			
Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
	05-Oct-2022	<b>4</b>		31-Mar-2027	<b>2</b>	Alison McBride
<b>Potential Effect</b>	Inability to deliver services effectively Reduced level of service Lack of improvement or increase in staff absences Council underachieves as an organisation Low staff morale Employee conflict Increased turnover Inability to attract/recruit					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>- Access to and participation of employees in learning and development activities</li> <li>- Absence rate and trends</li> <li>- Employee turnover</li> <li>- Grievance, discipline and other monitoring information</li> <li>- Employee voice and associated actions</li> <li>- Reports from external scrutiny bodies and award bodies - Benchmarking with appropriate comparators</li> </ul>					
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>- Inability to attract/recruit</li> <li>- Lack of appropriate development</li> <li>- inadequate skills</li> <li>-risk to new models of service delivery</li> <li>- Lack of resource/capability to deliver - Workforce unable to adapt to change</li> </ul>					
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>- HR processes designed to meet service delivery needs</li> <li>- Develop new structures to reflect strategic priorities and aligned to Future Operation Model (FOM)</li> <li>- Align workforce plan to the Council's strategic planning processes (i.e. have the right people available at the right time with the right skills to fulfil properly all of the Council's strategic priorities)</li> <li>- Periodic review of pay arrangements in accordance with EHRC guidance (currently every 3 years)</li> <li>- Incorporation of succession planning into workforce planning framework</li> <li>- Identify training programmes to upskill staff</li> <li>- Effective use of SWITCH to support alternative careers</li> <li>- Flexible HR policies, in particular People First covering workforce planning, learning &amp; development (including elearning), digital/continuous improvement, employee wellbeing &amp; engagement.</li> <li>- Effective use of Occupational Health Service</li> <li>- Robust Be the Best Conversations process</li> <li>- Effective leadership and management behaviours, practice and programmes</li> </ul>					
<b>Latest Note</b>	<p>Workforce planning has developed well alongside service delivery planning. This has been supported by better use of data in this area to inform decision making via the use of the console.</p> <p>New ACAS guidance (issued July 17) Return to Work and Hybrid Working reinforces the work WDC have undertaken to date, particularly around the workstyle exercise, employee consultation, remote working guidance, planned/ phased return and variations to contracts which all see WDC well placed in supporting the workforce. Further work to develop the approach to working flexibly has commenced.</p> <p>Despite a robust package of wellbeing resources being available, absence levels are being closely monitored, with stress and MSK absences prevalent. WDC continue to provide additional access to counselling.</p> <p>Development course for mid to senior leaders has commenced.</p> <p>Trickle rollout has now been completed for the whole of the organisation and will be relaunched to ensure this tool is better used for employee feedback and engagement.</p> <p>There will be a launch of the Trade Union Learning Agreement which encourages all employees to participate in regular learning and development.</p> <p>WDC Fit for Future programme continues to support services.</p>					



<b>Risk Opportunity</b>	- Identify previously unknown skills and talents in the workforce - Realise the potential of staff		
<b>Linked Actions Code &amp; Title</b>	<b>Progress</b>	<b>Status</b>	<b>Assigned To</b>
WFP/22-23/Corp/02 Develop and implement employee life cycle plans in line with the People First Strategy to attract and retain the workforce.	<input type="text" value="0%"/>		
WFP/22-23/Corp/03 Implement service review process including role design, use of new technology and new ways of working to add resilience, address gaps, and establish opportunities for efficiencies	<input type="text" value="0%"/>		
WFP/22-23/Corp/04 Develop and implement training plans and development opportunities to improve capabilities and resilience within the workforce.	<input type="text" value="0%"/>		
WFP/22-23/Corp/01 Develop and implement wellbeing, employee engagement, equality and training plans to enable capabilities, improved resilience and promotion of a diverse workforce.	<input type="text" value="0%"/>		

	<b>SR 08 Threat of Cyber-attack</b>		Data, systems and/or infrastructure are impacted as result of security attacks which are increasing in number at a time when this threat is already placing demands on resources to deliver increased levels of security controls.			
<b>Current Risk Matrix</b>	<b>Last Review Date</b>	<b>Current Rating</b>	<b>Target Risk Matrix</b>	<b>Target Date</b>	<b>Target Rating</b>	<b>Assigned To</b>
	29-Sep-2022	<b>9</b>		31-Mar-2027	<b>4</b>	James Gallacher; Iain Kerr
<b>Potential Effect</b>	<ul style="list-style-type: none"> <li>• Homeworking could be impacted by loss of internet services.</li> <li>• Disruption to services impacting service delivery to citizens</li> <li>• Staff and Citizen data loss with the potential for misuse such as identity fraud</li> <li>• Misinformation being delivered to the public via WDC communication channels</li> <li>• Potential for significant fines currently under the Data Protection Act and from May 2018 under the provisions of the General Data Protection Regulations <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Redirection of resources to deal with the effects of an attack and away from BAU work</li> </ul> </li> </ul>					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>• Failure to secure Cabinet Office compliance certification.</li> <li>• Monitor remote access usage</li> <li>• Recorded attempts from external sources to breach council cyber defences</li> <li>• Recorded cyber related incidents in the Cyber incident log</li> <li>• Quantity of breaches/incidents reported to the Information Commissioners Office</li> <li>• Fines levied for breaches</li> </ul>					
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>• Potential for attacks out of normal working hours /days</li> <li>• Inappropriate Cyber defences at the perimeter of the council networks</li> <li>• Inappropriate delivery of security patches to desktop, network switches and server estates</li> <li>• Compliance with security standards such as PSN, PCI, Public Sector Action Plan on Cyber resilience for Scotland</li> <li>• Continually changing threat landscape</li> <li>• Maintaining relevant skill sets among employee group / cost of securing expert resources</li> <li>• Increased targeted attacks and risks due to COVID/Hybrid working.</li> </ul>					
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>• Robust backup strategy in place on premise and cloud backup for 365 with immutable capability.</li> <li>• Service Continuity Plans</li> <li>• ICT Disaster Recovery Plan</li> <li>• Implementation of internal Policies on Patching and hardware/software hardening and expanded during COVID to patch devices remotely.</li> <li>• Annual PSN compliance audit including a comprehensive IT Health Check</li> <li>• Governance structure in place, ICT Steering Board consisting of senior management and relevant stakeholders meeting bi-monthly or as required in response to incidents/events</li> <li>• Programme of Internal and External ICT audits</li> <li>• Information Security/Data Protection forum. Project specific forums eg PCI working group</li> <li>• Multiple layers of Cyber defences</li> <li>• Network Segregation</li> <li>• Rolling programme of security awareness sessions</li> <li>• Interagency and cross Council working groups and sharing.</li> <li>• National Digital Office / Scottish Government Public Sector Security programme and guidance</li> </ul>					
<b>Latest Note</b>	ICT continue to follow NCSC guidance and implement additional security tools and fixes as identified.					

Recent focus has centered on deploying software and processes for

- the potential impacts of hybrid working on the security design;
- updating both off network and on network devices; and
- remote accessing of devices went live Aug 2022.

The ICT Team also continue to work on implementation of remote management/deployment software which is due to go live 3rd Oct 22.

Threat management, traffic & network switch DNA analysis software deployed July 22 & Sept 22. Plans to implement additional security monitoring tool underway with ETA Nov 22.

Geo-blocking to GB remains in place and the geo-political situation continues to be monitored.

Resourcing of security roles will continue to be examined as part of normal ICT service design management processes.

- Risk Opportunity**
- Increase Cyber resilience and awareness for staff, members and citizens
  - Contribute to Scottish Government Public Sector Action Plan on Cyber resilience for Scotland and potential to become involved in a national/shared security operations centre
  - Upskill employees to address current and emerging threats
  - Increased employee awareness across Council

Linked Actions Code & Title	Progress	Status	Assigned To
P&T/22-23/ICT/01 Secure the Council's Technology Infrastructure	<input type="text" value="28%"/>		James Gallacher
P&T/22-23/ICT/02 Enhance Security and Cyber awareness programmes tailored for hybrid working	<input type="text" value="60%"/>		James Gallacher

**SR 09 Challenges in delivering effective services in relation to Roads & Neighbourhoods**

The risk that the Council's fails to deliver on the three services within Roads & Neighbourhood: Roads & Transportation, Fleet & Waste and Greenspace. These areas provide services across a range of areas including managing and maintain roads, footpaths and associated infrastructure, managing flood risk, grounds maintenance, street cleaning, burial and cremation, outdoor facilities, waste and recycling and vehicle fleet management. Failing to ensure these services are not fully fit for purpose could result in adverse consequences in relation to delivering efficient and effective services.

Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
<p>Likelihood</p> <p>Impact</p>	05-Oct-2022	<b>4</b>	<p>Likelihood</p> <p>Impact</p>	31-Mar-2027	<b>2</b>	Gail Macfarlane

**Potential Effect**





- Assets are not utilised in the most effective and efficient manner
- Service cannot be properly delivered to the satisfaction of service users
- Service users seek alternative service provision
- Increase in reactive maintenance costs/ demand/ volume
- Council assets in poor conditions
- Council assets fail to meet relevant standards


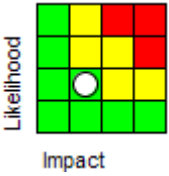
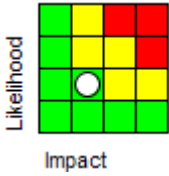


-Failure to comply with Transport (Scotland) Act 2019 -Failure to comply with Waste (Scotland) Regulations 2012


**Measures of Impact**


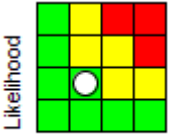
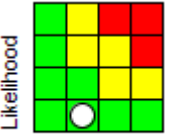
- Condition surveys
- Suitability surveys
- Road Condition SPI
- Customer perceptions of service delivery
- Investment levels in upkeep and improvement of asset base and facilities
- Asset user satisfaction -Operating costs and savings


-Local Government Benchmarking Framework (LGBF)  
 -Association for Public Service Excellence (APSE)  
 -Waste Managers Network Group


<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>-Adequacy of funding available to improve asset base</li> <li>- Adequacy of staff resources allocated to the area</li> <li>- Council assets deemed to be unfit for existing purpose</li> <li>- Economic conditions may reduce level of potential capital receipts</li> <li>-Over one third of the road network is in need of repair and the current long term capital funding only sustains a steady state condition of the road network</li> <li>- Increased public liability claims due to poor condition of roads network</li> <li>- Increase public liability claims due to poor condition of footpaths and roads which are not part of our adopted network.</li> </ul> <ul style="list-style-type: none"> <li>-Poor customer engagement for recycling, deposit return scheme, refuse transfer station</li> <li>-Financial challenges</li> <li>- Budget Sensitivity Analysis (fuel costs, waste refuse disposal tonnage costs, bitumen availability and costs)</li> </ul>		
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>- Corporate Asset Management Strategy (scheduled refresh in 2nd half of 2021/22 year)</li> <li>- Learning Estate Strategy</li> <li>- Capital Investment Team</li> <li>- Capital project meetings are carried out monthly in addition to project specific meetings.</li> <li>- Capital plan</li> <li>- Roads and Lighting Asset Implementation Plan</li> <li>- Fleet Asset Implementation</li> <li>- Open Space Asset Implementation Plan</li> <li>- Sustainability Policy</li> </ul> <ul style="list-style-type: none"> <li>-User feedback – complaints data, Citizens’ Panel and monthly telephone survey</li> <li>-Fit for future service reviews</li> <li>-Deposit Return Scheme</li> <li>-Climate Change Strategy</li> <li>-Community Empowerment Strategy</li> <li>-Food Growing Strategy and Allotments</li> <li>-Equality Outcomes</li> </ul>		
<b>Latest Note</b>	Service continues to provide full service, monitoring in place to ensure any adverse issues are highlighted and appropriate actions taken		
<b>Risk Opportunity</b>	<ul style="list-style-type: none"> <li>-Enhance reputation of Council</li> <li>-Estate, assets and service delivery (e.g. office and depot rationalisation projects, roads upgrade programme, vehicle replacement programme, greenspace upgrade projects)</li> <li>- Secure external funding for development of assets (e.g. EC, lottery, Historic and Environment Scotland)</li> <li>- The continued implementation of the energy efficient street lighting project will both improve the asset and reduce costs significantly through reduced maintenance, energy consumption and carbon output.</li> <li>- The effect of these energy efficiencies has demonstrated that significant savings and environmental benefit can be achieved through the utilisation of developing technology.</li> </ul>		
<b>Linked Actions Code &amp; Title</b>	<b>Progress</b>	<b>Status</b>	<b>Assigned To</b>
R&N/22-23/F&W/02 Continue to work collaboratively with Argyll & Bute and Inverclyde Councils to develop a best value proposal for procuring the reception, transportation, treatment and compliant disposal of biodegradable municipal waste	0%		Kenny Lang; Jenna Mccrum
R&N/22-23/F&W/04 Produce a business case for the development of a waste transfer station within Council’s boundary	0%		Kenny Lang; Jenna Mccrum
R&N/22-23/R&T/12 Develop an action plan for depot rationalization	0%		Liam Greene
R&N/22-23/R&T/13 Review winter gritting programme and implement a more effective service provision	0%		Liam Greene





 <b>SR 10 Failure to maintain Housing Stock</b>		The risk that Council's Housing Stock are not fully fit for purpose with consequent adverse impact on our ability to deliver efficient and effective housing for Council tenants.				
Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
	05-Oct-2022	4		31-Mar-2027	4	Alan Young
<b>Potential Effect</b>	<ul style="list-style-type: none"> <li>- Housing stock is not utilised in the most effective and efficient manner</li> <li>- Service cannot be properly delivered to the satisfaction of service users</li> <li>- Increase in reactive maintenance costs/ demand/ volume</li> <li>- Housing stock in poor condition</li> <li>- Housing stock fail to meet relevant standards</li> <li>- Non-compliance with Scottish Housing Quality Standard</li> </ul>					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>- Condition surveys</li> <li>- Suitability surveys</li> <li>- Customer perceptions of service delivery</li> <li>- Investment levels in upkeep and improvement of housing stock</li> <li>- User satisfaction</li> <li>- Operating costs and savings</li> <li>- Local Government Benchmarking Framework (LGBF)</li> </ul>					
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>- Adequacy of funding available to improve housing stock</li> <li>- Adequacy of staff resources allocated to the management of housing stock</li> <li>- Housing stock deemed to be unfit for existing purpose</li> <li>- Increasing issues relating to supply of labour and materials, due to increased energy, transport and raw material costs, impacted on supply chains, and third parties and our ability to carry out works within budget and on time.</li> </ul>					
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>- Housing Capital Investment Programme (refreshed and delivered annually)</li> <li>- Housing Capital Improvements</li> <li>- WDC Local Housing Strategy 2021-25</li> <li>- The Housing Capital Investment Team</li> <li>- The Planned Maintenance Section</li> <li>- Housing Asset Management Strategy</li> <li>- Detailed asset database that shows relevant information on a property by property basis in relation to HRA properties.</li> <li>- More Homes Better Home Project Board.</li> <li>- Telephone Survey feedback</li> <li>- Fit for future reviews</li> <li>- Other benchmarking/ feedback</li> <li>- Climate Change Strategy</li> </ul>					
<b>Latest Note</b>	Full programme of of maintenance and upgrade in place, with regular monitoring and reporting					
<b>Risk Opportunity</b>	<ul style="list-style-type: none"> <li>- Enhance reputation of Council by being able to improve Council housing stock</li> <li>- Estate, assets and service delivery (housing investment programme)</li> <li>- Improved satisfaction from tenants</li> <li>- The effect of these energy efficiencies has demonstrated that significant savings and environmental benefit can be achieved through the utilisation of developing technology.</li> <li>- Improvement of SHQS &amp; EESSH compliance performance and points, and reduced SHQS abeyance numbers through the strategic planning and management of housing assets.</li> <li>- Increase in environmental improvements including bin stores</li> <li>- Increase in internal (e.g kitchens, bathrooms, showers, special needs adaptations, central heating, smoke detectors, windows and doors) and external updates (e.g new roof coverings, external insulated render and tenement structural refurbishments)</li> <li>- Increase in number of New Build Homes as part of the Strategic Housing Investment Programme (SHIP)</li> <li>- Achieve energy efficiency standard for social housing</li> </ul>					
Linked Actions Code & Title				Progress	Status	Assigned To
SD&P/22-23/HAI/10 Ensure the Council's Housing stock maintains compliance with the Scottish Housing Quality Standard and reduce the number of properties held in abeyance.				<input type="text" value="0%"/>		Alan Young
SD&P/22-23/HAI/11 Deliver the HRA Capital Investment programme for 2022/23				<input type="text" value="0%"/>		Alan Young

SD&P/22-23/HAI/12 Ensure the Council's Housing stock progresses towards the achievement of the energy efficiency standard for social housing.	0%		Alan Young
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	<b>SR 11 Inability to reduce carbon footprint in line with targets</b>		The risk that the Council will be unable to achieve net zero emissions by 2045, both in relation to mitigating carbon emissions and adapting to the impacts of climate change. Net zero refers to achieving an overall balance between emissions produced and emissions taken out of the atmosphere. This target has been developed in a way that mirrors the emission reduction trajectory set by the Scottish Government in light of the Climate Emergency.			
Current Risk Matrix	Last Review Date	Current Rating	Target Risk Matrix	Target Date	Target Rating	Assigned To
 Likelihood Impact	05-Oct-2022	<b>4</b>	 Likelihood Impact	31-Mar-2027	<b>2</b>	Adam Armour - Florence
<b>Potential Effect</b>	<ul style="list-style-type: none"> <li>. Failure to meet mandatory national and international policy drivers Failure to meet duties placed on Council by The Climate Change (Scotland) Act 2009</li> <li>. Failure to meet duties placed on Council by The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019</li> <li>. Failure to meet duties placed on the Council by The Heat Networks (Scotland) Act 2021 and Local Heat and Energy Efficiency Strategies (Scotland) Order 2022.</li> <li>. Failure to meet the provisions set out in Waste (Scotland) Regulations 2012 which help Scotland move toward the objectives and targets set out in the Scotland's Zero Waste Plan to help transition toward a circular economy.</li> <li>. Reputational damage.</li> <li>. Financial burden of responding to adverse events such as extreme weather (including, but not limited to, flooding, heat waves, wind driven storm events, etc.) resulting in action. Impacts to Council operations and supply chains as a result of adverse climate/extreme weather events. This also impacts residents, local businesses and wider infrastructure across West Dunbartonshire.</li> </ul>					
<b>Measures of Impact</b>	<ul style="list-style-type: none"> <li>. Improving organisational resilience against the impacts of climate change.</li> <li>. Improving local biodiversity through planting of native trees and bulbs in WDC</li> <li>. WDC Waste Services Citizens Panel Survey regarding attitudes towards recycling improving</li> <li>. The extension of the Queens Quay District Heating Network to NHS Golden Jubilee Hospital, Social Housing, NHS Health Centre, Council buildings and further connections as per scope.</li> <li>. Inspiring change through including climate change in staff induction, training, team meetings, etc.</li> <li>. Uptake in e-learning modules on climate change.</li> <li>. Uptake in staff carrying out Sustainable Procurement assessments for tenders.</li> <li>. Ensuring climate change and sustainability metrics are included in tenders for suppliers/contractors/etc. (such as carbon reduction measures) so they are being measured for accountability for the impacts they have on the environment</li> <li>. Management setting climate change targets.</li> <li>. The uptake of Green Champion roles, which help normalise Climate Change and Sustainability, practices across the Council. Uptake in sustainable travel such as walking cycling and public transport</li> </ul>					
<b>Risk Factors</b>	<ul style="list-style-type: none"> <li>. Funding availability – delivery of actions to mitigate will require resources, capital works and investment by the Council- e.g enhanced energy measures, and heating and renewables projects in both domestic and non-domestic building assets</li> <li>. Funding approach – a combination of internal and external funding sources will be need to delivery climate action at scale. Short term funding mechanisms such as annual payback of Council expenditure presents difficulties for delivering long term projects. Climate Change investments also need to take account of whole-life costs including reduced maintenance costs and avoided Adaptation costs.</li> <li>. Internal capacity – limited staff time and availability, largely due to reduced Council budgets, further impacted by Covid19.</li> <li>. Communication – both internally (to avoid 'silo' working) and externally (engaging with the public and keeping abreast of local/national/international changes to policy).</li> <li>. Economics – some technologies, materials and skills are still very expensive so innovation must progress to enhance the viability of climate actions within the context of the Council's budget constraints.</li> <li>. Strategy and planning – all existing and future Council plans should place responding to the climate emergency at their core and ensure integration with other Council services.</li> <li>. Legislation &amp; Regulatory – the ability to implement some climate actions is constrained at the local level by minimum standards and other restrictions set through legislation and national policy, for example in relation to building regulations, planning and procurement.</li> <li>. Public attitudes and behaviours - Changing behaviour of residents, businesses and stakeholders positively and proactively, especially where there are cost implications to the delivery of climate actions.</li> </ul>					

<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>. Climate Change Strategy and Action Plan 2021-2026</li> <li>. Climate Change Action Group (CCAG)</li> <li>. Pentana Risk Management System – devolved responsibilities of climate change actions/milestones/KPI's to service areas.</li> <li>. Scottish Government – Mandatory annual Climate Change Duties Reporting</li> <li>. Queens Quay District Heating Network</li> <li>. Strategic Environment Assessment (SEA)</li> <li>. Air quality monitoring</li> <li>. Converting some Council pool fleet to Electric Vehicles (EVs).</li> <li>. Climate Ready Clyde (CRC) – a cross-sector initiative funded by fifteen member organisations and supported by the SG. Delivery of a Locale Heat &amp; Energy Efficiency Strategy (LHEES) and delivery plan by December 2023 – which sets out the Council's area-based approach to reducing emissions of heating and energy efficiency improvements to ALL assets across WD. This includes private housing, businesses, etc. which are not owned/operated by WDC.</li> </ul>		
<b>Latest Note</b>	<p>The Council's carbon footprint for 2021-22 is 24,022 tonnes of CO2e (against a target of 22,803). This means that we have increased our carbon emissions by 1.2% against the previous financial year. The reasons for the Council not reducing carbon emissions by 3.5% against the previous financial year are noted below.</p> <p>Challenges</p> <p>New Carbon Reduction Targets - Stricter carbon reduction targets set by the Climate Change Strategy mean that annual reductions will be more challenging to achieve net zero by 2045. However, it should be expected that there will be peaks and troughs (fluctuations) on our carbon reduction journey towards 2045.</p> <p>COVID 19 Pandemic - The pandemic had an unprecedented impact on our Council operations and residents. More staff work remotely and as a result we have had to add carbon emissions from homeworking to the Council's overall carbon footprint. Emissions relating to energy, waste and travel have also increased because, like the whole world, West Dunbartonshire is 'bouncing back' from the pandemic.</p> <p>Waste Streams – Waste and Recycling make up almost 52% of the Council's carbon footprint. Waste levels, particularly from residents, have been increasing since 2012-13, with the highest recorded emissions occurring in 2021-22. Since waste is the largest proportion of Council emissions, improvements to emissions from other sources do not have as much of an impact on our carbon footprint. Heating – Heating makes up about 20% of the Council's carbon footprint. Whilst carbon emissions for heating have decreased slightly, the benefits of our energy efficiency interventions have been impacted by ventilation requirements in schools as a result of the pandemic. Heating will work harder and go on for longer as a result of windows and doors having to be open across all of our schools.</p>		
<b>Risk Opportunity</b>	<ul style="list-style-type: none"> <li>.Our local environment is protected, enhanced and valued resulting in: <ul style="list-style-type: none"> <li>- Our public spaces are attractive and welcoming</li> <li>- Our residents feels pride in their local neighbourhood</li> <li>- The percentage of household waste sent for reuse, recycling and composting has increased resulting in reduction in the percentage that was being landfilled.</li> <li>- The percentage of council land which promotes diversity of habitat and species has increased</li> </ul> </li> <li>.Our resources are used in an environmentally sustainable way <ul style="list-style-type: none"> <li>- Increase in the percentage of businesses taking action to reduce their carbon impact</li> <li>- Reduction in CO2 emissions under the Council's influence</li> <li>- Reduction in West Dunbartonshire Area-Wide emissions as per requirements of the climate change (Scotland) act</li> <li>- Residents actively involved in tackling climate change and protecting the environment</li> <li>- The economy and infrastructure become more low carbon and environmentally-friendly</li> </ul> </li> <li>. Our neighbourhoods are sustainable and attractive <ul style="list-style-type: none"> <li>- Increased investment in our housing stock including improving energy efficiency</li> <li>- Housing developments are meeting the needs of our changing population</li> <li>- The quality of neighbourhoods has improved</li> <li>- Our roads and transport network are maintained and they promote safe travel routes</li> </ul> </li> </ul>		
<b>Linked Actions Code &amp; Title</b>	<b>Progress</b>	<b>Status</b>	<b>Assigned To</b>
REG&R/22-23/011 Co-ordinate, monitor and report the progress of the Council's Climate Change Action Plan for 2022/23	<div style="border: 1px solid black; width: 100px; height: 20px; background: linear-gradient(to right, #4a86e8 20%, #ccc 20%); display: flex; align-items: center; justify-content: center;"><span style="margin-right: 5px;">20%</span></div>		Adam Armour - Florence

Risk Status	
	Alert

	High Risk
	Warning
	OK
	Unknown





**West Dunbartonshire Council**  
**Report by the Chief Officer - Resources**  
**Audit Committee: 9 November 2022**

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**Subject: Treasury Management Mid Year Report 2022/23**

**1. Purpose**

- 1.1 The purpose of this report is to provide Members with an update on treasury management to 31 August 2022.

**2. Recommendations**

- 2.1 Members are requested to:

- (a) Note the treasury management stewardship information within the appended report;
- (b) Note the 2022/23 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
- (c) Note that the appended report has been remitted to the Audit Committee from Council to ensure further scrutiny takes place.

**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 a mid year Report to Members regarding the Treasury function.
- 3.2 The mid year report covers the period 1 April 2022 to 31 August 2022 and details the current position (where appropriate) and revises the 2022/23 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 revised estimate for gross capital expenditure during 2022/23 (Table A) has increased by £21.458m from the original estimate due to revision to the ongoing forecast outturn figures for both the General Services capital plan and the HRA capital plan which are regularly reported to Members (mainly additional slippage carried forward from 2021/22 following the year-end; additional spend linked to an increase in grant income now anticipated; and slippage in spend projected for 2022/23).
- 4.4** 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.

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**Laurence Slavin**  
**Chief Officer – Resources**  
**Date: 19 October 2022**

**Person to Contact:** Jackie Nicol-Thomson, Finance Business Partner  
Council Offices, Church Street, Dumbarton  
Email: [Jackie.NicolTomson@west-dunbarton.gov.uk](mailto:Jackie.NicolTomson@west-dunbarton.gov.uk)

**Appendix:** Appendix 1: Mid Year Monitoring Report 2022/23  
Treasury Management and Prudential Indicators  
1 April 2022 to 30 September 2022

**Background Papers:**

1. Loans register and portfolio;
2. Debt rescheduling schedules; and
3. Prudential Indicators 2021/22 to 2031/32 and Treasury Management Strategy 2022/23 to 2031/32 (Council 23 March 2022)

**Wards Affected:**

No wards directly affected.

**Mid-Year Monitoring Report 2022/23****Treasury Management and Prudential Indicators: 1 April 2022 to 31 August 2022****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 2022/23).
- 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 23 March 2022. The current position is shown (where appropriate) and revisions to the 2022/23 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 23 March 2022.

#### 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 2022/23 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 2022/23 only.

**Table A:**

£000	2022/23 Original Estimate	Current Position	2022/23 Projected Outturn*
General Services	51,506	3,857	49,856
HRA	47,233	7,416	63,322
<b>Capital Expenditure</b>	<b>98,739</b>	<b>11,273</b>	<b>113,178</b>
Financed by:			
Capital receipts	0	0	0
Capital grants	34,352	3,850	36,266
Revenue / other	9,221	0	288
<b>Net financing need for the year</b>	<b>55,166</b>	<b>7,423</b>	<b>76,624</b>

\* it should be noted that the Projected Outturn figures include additional slippage from 2021/22 that were not known at the time of the Original Estimate

#### 2.2.1 The movement in the level of anticipated capital expenditure is mainly due to the inclusion of additional slippage following the year end; a reduction in anticipated capital receipts; an increase in spend related to external funding offset by slippage levels identified to date. 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:**

<b>£000</b>	<b>2022/23 Original Estimate</b>	<b>2022/23 Projected Outturn</b>
<b>Opening CFR (1 April 2022)</b>	<b>698,886</b>	<b>680,113</b>
New Borrowing	45,621	67,172
LTL repayment in year	(3,372)	(3,370)
<b>Closing CFR (31 March 2023)</b>	<b>741,135</b>	<b>743,915</b>
<b>movement in CFR</b>	<b>42,249</b>	<b>63,802</b>
Net financing need for the year (Table A)	55,166	76,624
Loan repayments in year - excluding LTL (PPP)	(9,545)	(9,452)
<b>New Borrowing - Movement in CFR (from previous year)</b>	<b>45,621</b>	<b>67,172</b>

**Table C:**

<b>£000</b>	<b>2022/23 Original Estimate</b>	<b>Current Position</b>	<b>2022/23 Projected Outturn</b>
<b>External Debt</b>			
Estimated/Actual Debt at 1 April 2022	604,941	562,007	574,570
Maturing Debt	(268,722)	(127,000)	(262,677)
<b>Movement in Borrowing</b>			
New Borrowing - Maturing Debt	268,722	127,000	262,677
Borrowing adjustment in relation to over borrowing at year end	0	0	0
New Borrowing – CFR (Table B)	45,621	0	67,172
<b>Debt at 31 March (1)</b>	<b>650,562</b>	<b>562,007</b>	<b>641,742</b>
Long Term Liabilities (LTL) at 1 April	92,614	92,485	92,485
LTL repayment in year (Table B)	(3,372)	(1,404)	(3,370)
<b>LTL at 31 March (2)</b>	<b>89,242</b>	<b>91,081</b>	<b>89,115</b>
<b>Actual Debt at 31 March (1) + (2)</b>	<b>739,804</b>	<b>653,088</b>	<b>720,857</b>
<b>CFR from Table B</b>	<b>741,135</b>	<b>n/a</b>	<b>743,915</b>
<b>Under/(Over) Borrowing</b>	<b>1,331</b>	<b>n/a</b>	<b>13,058</b>

**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 2022/23 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 reduced from the original estimate due to the forecast level of capital expenditure in 2022/23 being less than budgeted. The Chief Officer - Resources can report that the Council is currently on target to meet the 2022/23 revised estimates for both indicators.

**2.3.3** Table C highlights that the borrowing of the Council is forecasting a minimal under-borrowed position against the CFR at 31 March 2023.

**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 2021/22 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 2022 with the CFR as at 31 March 2025. The Chief Officer - Resources reports that no difficulties are envisaged for the current year in complying with this prudential indicator.

**Table D:**

£000	2022/23 Original Estimate	2022/23 Projected Outturn
<b>CFR at 31 March 2022</b>		
Estimate/Actual (From Table B above)	698,886	680,113
<b>Estimated movement in CFR</b>		
2022/23 (From Table B above)	42,249	63,802
2023/24	67,898	82,507
2024/25	37,805	37,805
<b>Anticipated CFR at 31 March 2025</b>	<b>846,838</b>	<b>864,227</b>
<b>Gross Debt at 31 March 2023</b> (Table C above)	<b>739,804</b>	<b>730,857</b>

**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	2022/23 Original Estimate	Current Position	2022/23 Projected Outturn
External Debt	813,785	653,088	803,943



**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:**

<b>£000</b>	<b>2022/23 Original Estimate</b>	<b>Current Position</b>	<b>2022/23 Projected Outturn</b>
External Debt	887,776	653,088	877,028

### **3. Economic Outlook**

#### **3.1 UK**

- The Monetary Policy Commission (MPC) has increased Bank Rate to 2.25% from 1.75%. The UK now has a new Prime Minister, a new Chancellor and new economic policies that seek to grow the UK economy faster than at any time since the 1980s. The Government intends to reduce the basic rate of income tax by 1p in the £; scrap the 45p in the £ higher income tax rate; reverse the 1.25% NI Health & Social Levy from November; not increase Corporation Tax from 19% to 25% as previously anticipated; reduce Stamp Duty on house purchases with an emphasis on helping first time buyers; scrap caps on bankers' bonuses; support businesses and households with caps on the unit costs of gas and electricity for 6 and 24 months respectively. There is every chance that the on-going steep rises in gas, electricity and food inflation, when added to significant increases in fixed rate mortgages and rents, may see the UK head into recession despite the Government's best intention to prevent this occurrence.

#### **3.2 Scotland**

- The Scottish Government will see its overall funding levels increase through and beyond the Spending Review period. However, inflation will erode this growth. In real terms funding will remain slightly below that of 2022/23 for most of the Spending Review period, increasing only modestly in its last year. Income tax is still expected to reduce the size of the Budget, but only in the first year of the Spending Review. From 2024 -25 the UK Government intends to reduce the basic rate of income tax to 19 per cent. The income tax BGA will reduce accordingly, thus supporting net Scottish income tax funding.
- With inflationary pressures intensifying further since December 2021, it is anticipated that annual CPI inflation will peak at 8.7 per cent in 2022 Q4. Rising global energy prices, exacerbated by the conflict in Ukraine, have driven large increases in the Ofgem energy price cap in April and October 2022. It is forecasted that real average earnings to decrease by 2.7 per cent in 2022/23. This is because nominal earnings are not expected to keep pace

with rising inflation. Low income households are expected to be disproportionately affected.

- House prices will continue to rise but not as quickly as previously forecast. The rising cost of living and rising interest rates will put pressure on how much households can afford to spend on moving home.
- Security spending is expected to increase from £4.2 billion in 2022-23 to £6.8 billion in 2027-28. The Scottish Government plans to replace payments devolved but administered by DWP with Scottish payments by the end of 2025.

### 3.3 International update

- The US FOMC (Federal Open Market Committee) has increases of 300 basis points in the year to date and is expected to increase rates further before the end of the year. Similarly, the European Central Bank has also started to tighten monetary policy, albeit from an ultra-low starting point, as have all the major central banks apart from Japan. Arguably, though, it is US monetary policies that are having the greatest impact on global bond markets.
- What happens in Ukraine will also impact the global economy, but particularly in Europe. The search for alternative providers of energy, other than Russia, will take both time and effort. The weather will also play a large part in how high energy prices stay and for how long.

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 2022 (this is significantly different than 2 months previous due to the ongoing volatility of the market):

**Table G:**

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
<b>BANK RATE</b>	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

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** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **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.
- 3.6** Upside risks to current forecasts for UK gilt yields and PWLB rates are as
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
  - **The Government** acts too quickly to cut taxes and/or increases expenditure in the light of the cost-of-living squeeze.
  - **The pound weakens** because of the UK's growing borrowing requirement resulting in investors pricing in a risk premium for holding UK sovereign debt.
  - Longer term **US treasury yields** continue to rise strongly and pull gilt yields up even higher than currently forecast.

#### **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 31 August 2022 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 4.56% and 5.03%, depending on length of term for borrowing (as at 29 September 2022). 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 2022/23 (to 31 August 2022). In the year to date naturally maturing debt of £174.606m 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	2022/23 Original Estimate	Current Position	2022/23 Revised Estimate
Borrowing	21,903	9,287	22,288
Other Long Term Liabilities	9,982	4,178	10,027
Total	<b>31,886</b>	<b>13,465</b>	<b>32,315</b>

**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 £24.525m of cash investments at 31 August 2022, 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	1,525	Nil	Nil
Money Market Fund	UK	23,000	Nil	Nil
Local Authorities	UK	0	Nil	Nil
Total	UK	24,525	Nil	Nil

**4.5.2** Table J details the revised budget position for investment income. The original estimate has increased by £0.055m due to ongoing interest rates changes.

**Table J:**

£000	2022/23 Original Estimate	Current Position	2022/23 Revised Estimate
Investment Income	75	55	132

**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 1.12%. Table K illustrates how this average return compares with the local benchmarks.

**Table K:**

Benchmark	Benchmark Return	Average Return
Compound 12 month SONIA*	1.04%	1.12%
Council's Instant Access Account	1.09%	1.12%

\* 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:**

	2022/23 Original Estimate	2022/23 Revised Estimate
General Fund	7.77%	7.86%
HRA	27.08%	26.31%

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 2022/23. 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:**

<b>Maturity Structure of Fixed Interest Rate Borrowing</b>	<b>2022/23 Original Limits</b>	<b>Current Position</b>
Under 12 months	50%	46%
12 months to 2 years	50%	4%
2 years to 5 years	50%	3%
5 years to 10 years	50%	5%
10 years to 20 years	50%	4%
20 years to 30 years	50%	6%
30 years to 40 years	50%	5%
40 years to 50 years	100%	22%
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:**

	<b>2022/23 Original Estimate</b>	<b>Current Position</b>	<b>2022/23 Revised Estimate</b>
Principal sums invested > 365 days (maximum limit £7m)	£0.485m	£0.485m	£0.485m

**West Dunbartonshire Council**  
**Report by the Chief Officer - Resources**  
**Audit Committee: 9 November 2022**

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**Subject : Treasury Management Annual Report 2021/22**

**1. Purpose**

- 1.1 The purpose of this report is to provide Members with an update on treasury management during 2021/22.

**2. Recommendations**

- 2.1 Members are requested to consider the information provided within the Annual Report as appended to this report and note this report has been referred to the Audit Committee from Council for further scrutiny.

**3. Background**

- 3.1 In accordance with the Treasury Policy governing the Council's treasury management activities during 2021/22, 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 2022.
- 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. It also notes the use of a Scottish Government covid flexibility allowing for a loans fund principle holiday, which was made in 2021/22 by the Council.
- 4.3 External borrowing (excluding PPP) has increased from £544.813m at the beginning of the year to £574.570m at the end of the year. This is due to new borrowing required to fund the capital programmes. Over the year as new debt has been borrowed and maturing debt replaced the average interest rate on loans held has reduced from 1.92% at 31 March 2021 to 1.91% at 31 March 2022.

- 4.4** Consideration was given to available interest rates, and mainly short term borrowing has been utilised to finance the current capital programme which has resulted in the reduction of interest rates held.
- 4.5** Investments have decreased from £17.475m at the beginning of the year to £11.440m at the year-end. The average interest rate on these investments held as at 31 March 2022 increased from 0.02% to 0.42%.
- 4.6** All year end actual 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.

## **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: 9 November 2022**

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**Appendix:** Annual Report 2021/22 -Treasury Management and Actual Prudential Indicators

**Background Papers:** Loans register and portfolio;  
Debt rescheduling schedules;  
Prudential Indicators 2022/23 to 2031/32 and Treasury Management Strategy 2022/23 to 2031/32 (Council 22 March 2021);  
Mid-Year Monitoring Report 2021/22 - Treasury Management and Prudential Indicators (Council 22 December 2021);  
Treasury Management Annual Report 2020/21 (Council 26 August 2021); and  
Local Government Finance Circular 5/2022 - statutory repayment of debt – short term financial flexibility: guidance

**Wards Affected:** No wards directly affected.



## Annual Report 2021/22

### 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 2021/22, a Capital Strategy was reported and approved by Council on 3 March 2021.

1.3 During 2021/22 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 22 March 2021);
- a mid-year treasury update report (Council 22 December 2021); 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 2021/22;
- The Council's treasury position at 31 March 2022;
- The main Prudential Indicators and compliance with limits;
- A summary of the economic factors affecting the strategy over 2021/22;
- The Treasury activity during 2021/22;
- Performance indicators set for 2021/22;
- Disclosure regarding the repayment of loan Fund advances for 2021/22; and
- Risk and Performance.

## 2. A Summary of the Strategy for 2021/22

**2.1 Borrowing** - keeping note of the slightly under-borrowed position of the Council as at 31 March 2022 and the risk within the economic forecast at that time, caution was adopted with the 2021/22 treasury operations. The Section 95 Officer planned to 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 repayment 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 and to reduce counterparty risk.

## 3. The Council's Treasury Position at 31 March 2022

**3.1** During 2021/22, 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 2022 compared with the previous year was:

**Table 1**

Treasury position – excluding PPP	31 March 2022		31 March 2021	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£574.570m	1.91%	£544.813m	1.92%
Variable Interest Rate Debt	£0.000m	0.00%	£0.000m	0.00%
<b>Total Debt</b>	<b>£574.570m</b>	<b>1.91%</b>	<b>£544.813m</b>	<b>1.92%</b>
<b>Total Investments</b>	<b>£11.440m</b>	<b>0.42%</b>	<b>£17.475m</b>	<b>0.02%</b>
<b>Net borrowing position</b>	<b>£563.130m</b>		<b>£527.338m</b>	

**3.2** From the above table, it can be seen that the average interest rate on the debt held as at 31 March has reduced from 1.92% in 2021 to 1.91% as at 30 March 2022. At the same time the average interest rate has increased on the investments held as at 31 March from 0.02% in 2021 to 0.42% in as at 31 March 2022.

**3.3** The external debt figure included within Table 1 includes both short term and long term debt. The low average interest rate is 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.

**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 2022.

**Table 2**

	2021/22 Actual	2021/22 Indicator	
<b>Upper limits on variable interest rates</b>	0%	50%	
<b>Upper limits on fixed interest rates</b>	100%	100%	
<b>Maturity structure fixed rate borrowing (%)</b>	<b>Year end</b>	<b>Max</b>	<b>Min</b>
Under 12 months	46.81%	50%	0%
12 months to 2 years	0.19%	50%	0%
2 years to 5 years	5.29%	50%	0%
5 years to 10 years	4.98%	50%	0%
10 years to 20 years	4.01%	50%	0%
20 years to 30 years	5.66	50%	0%
30 years to 40 years	3.40%	50%	0%
40 years to 50 years	24.21%	100%	0%
50 years to 60 years	5.45%	100%	0%
60 years to 70 years	0.0%	100%	0%
<b>Maximum principal funds invested &gt;365 days</b>	£0.485m	£7m	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 slipped from 2021/22 into the 2022/23 capital programme, together with resources. The indicators for 2022/23 will be revised in line with this.

**Table 3**

	<b>2021/22 Actual</b>	<b>2021/22 Revised Estimate*</b>
Capital expenditure:	£64.219m	£90.092m
Resourced by:		
Capital receipts and grants	£7.746m	£20.821m
Revenue	£13.247m	£9.003m
<b>Capital expenditure - additional need to borrow for in-year capital spend</b>	<b>£43.226m</b>	<b>£60.268m</b>

\* From the mid-year Treasury Strategy – Council 22 December 2021

##### 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 (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) 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 2021/22.

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 2022 with the anticipated CFR at 31 March 2025 as detailed in Table 4 below), and in the short term, the adjusted gross borrowing position also under the CFR as at 31 March 2022.

**Table 4**

	<b>2021/22 Actual</b>	<b>2021/22 Revised Indicator*</b>
Gross borrowing position per Table 1	£574.570m	£597.912m
Long term liability	£92.485m	£92.615m
<b>Adjusted gross borrowing position</b>	<b>£657.055m</b>	<b>£690.527m</b>
<b>Capital Financing Requirement</b>	<b>£670.893m</b>	<b>£695.609m</b>

\* From the mid-year Treasury Strategy – Council 22 December 2021

	<b>2021/22 Actual</b>
<b>CFR at 31 March 2022</b>	
2021/22 Actual	<b>£670.893m</b>
<b>Estimated Movement in CFR*</b>	
2022/23	£63.802m
2023/24	£67.898m
2024/25	£37.805m
<b>Anticipated CFR at 31 March 2025</b>	<b>£840.398m</b>
<b>Gross Debt at 31 March 2022</b>	<b>£667.055m</b>

\* Estimated movement 2022/23 from the Treasury Mid year Update 2022/23 – 26 October 2022

Estimated movement 2023/24 & 2024/25 from the Treasury Strategy 2022/23 – 22 March 2022

#### 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 2021/22 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 2021/22 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 2021/22 compared to the projected impact of the General Services Capital Plan Refresh and the HRA Capital Plan Update as approved by Members on 22 March 2021 and 3 March 2021, respectively. The cost of capital is described as loan charges within the revenue budgets

**Table 5**

	<b>2021/22</b>	
<b>Revised Indicator - Authorised Limit*</b>	£829.832m	
<b>Revised Indicator - Operational Boundary*</b>	£760.680m	
<b>Maximum gross borrowing position during 2021/22</b>	£674.625m	
<b>Minimum gross borrowing position during 2021/22</b>	£620.415m	
	Estimated	Actual
<b>Financing costs as a proportion of net revenue stream:</b>		
General Fund	3.63%	3.28%
Housing	25.07%	23.55%

\* From the mid-year Treasury Strategy – Council 16 December 2021

## 5. Summary of the Economic Factors affecting the Strategy during 2021/22

### 5.1 The Economy and Interest Rates 2021/22 – to March 2022

*It should be noted that this update covers 2021/22, prior to the recent effects of the Ukraine war and the cost of living crisis.*

**UK / Scotland. Coronavirus.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022.

By March 2022, most of the economy had opened up and was nearly back to business-as-usual, the GDP numbers were robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, with the CPI measure rising to 7% in March 2022.

**The Bank of England's Monetary Policy Committee .** During the pandemic, the governments of western countries provided massive fiscal support to their economies which resulted in a big increase in total government debt in each country. It was therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provided governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis was also placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also have helped to erode the real value of government debt more quickly.

**USA.** The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI was estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction. More recently, there was predictable speculation that the interest rate hikes would quickly push the US economy into recession. Q1 GDP growth was likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment was only 3.8%.

**EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the European Central Bank would accelerate its plans to tighten monetary policy. And the market was anticipating possibly three 25bp rate hikes later this year followed by more in 2023. While inflation hit the headlines, the risk of recession was also rising. Among the bigger countries, Germany was most likely to experience a "technical" recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone was expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Unemployment fell to only 6.8% in February.



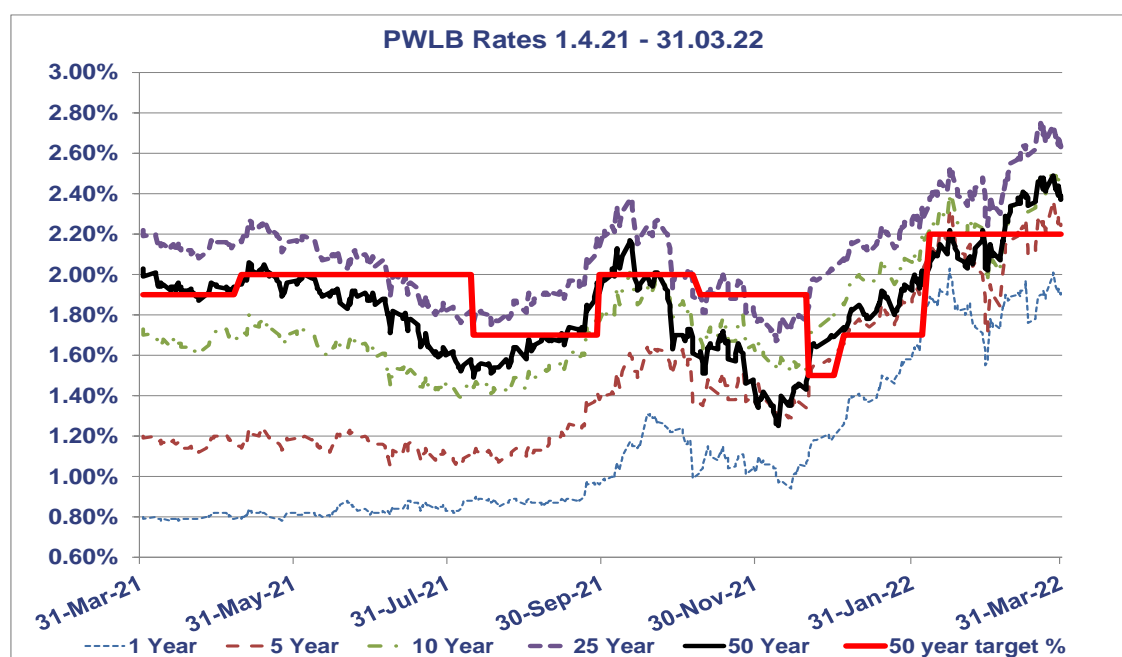
**China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With a further outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance was expected to be subdued.

**Japan.** The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP was expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. Unemployment was only 2.7% and inflation under 1%, with cost pressures mounting.

**Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and the then recent invasion of Ukraine, unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and Russia) to supply products and vice versa. This is likely to reduce world growth rates.

## 5.2 Borrowing Rates in 2021/22

The graph for PWLB interest rates below shows that, after remaining relatively static until interest rates started to increase from November 2021, most PWLB rates have been on a general upward trend since.



## **6. Treasury Activity during 2021/22**

- 6.1 Borrowing** – The Council raised new long term loans of £35.000m and new short term loans of £315.500m during 2021/22 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 2021/22.
- 6.3 Repayment** – The Council repaid naturally maturing debt of £320.748m.
- 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 falling to 1.87% (2021/22) from 2.11% (2020/21).
- 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 £17.475m at the beginning of the year to £11.440m 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 £0.485m as at 31 March 2022 as identified in table 2 above (investments over 364 days).

## **7. Performance Indicators set for 2021/22**

- 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 0.063% which is a decrease of 0.189% from the previous year. Table 6 illustrates that the Council’s average return identified of 0.063% was less than the average return from the Council’s bankers investment account (0.19%) and slightly more 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*	0.06%	0.063%

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

**8. Short term financial flexibility for statutory repayment of debt 2021/22**

8.1 The Local Government Finance Circular 5/2022 introduced a short term financial flexibility for statutory repayment of debt, whereby in 2021/22 or 2022/23 Councils could agree a loans fund principle repayment holiday for one year only, with conditions attached for the repayment of the debt due, but not, repaid. The Council took advantage of this flexibility in 2021/22 and therefore repaid not advances for General Services in 2021/22. The effects of this have been included within this annual report.

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

9.1 The policy on the prudent repayment of loans fund advances was detailed in the Mid-Year Monitoring Report 2021/22 - Treasury Management and Prudential Indicators reported to Council on 22 December 2021.

9.2 Table 7 shows the movement in the level of loan fund advances between 1 April 2021 and 31 March 2022 (excluding PPP).

**Table 7**

	<b>General Fund</b>	<b>Housing</b>
<b>Opening Balance at 1 April 2021</b>	<b>£312.703m</b>	<b>£233.474m</b>
New Advances in 2021/22	£26.771m	£16.457m
Repayments in 2021/22*	(£0.000m)	(£5.495m)
<b>Closing Balance at 31 March 2022</b>	<b>£339.747m</b>	<b>£244.436m</b>

\* Refer to paragraph 8.1 regarding use of flexibility granted by Scottish Government regarding a loans fund principle repayment holiday

- 9.3** 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 2022 (note, this is not external debt).

**Table 8**

<b>Future Repayment Profile at 31 March 2022</b>	<b>General Fund</b>	<b>Housing</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Under 12 months	2.942	6.510	9.452
2 years to 5 years	13.209	27.080	40.289
6 years to 10 years	19.854	38.567	58.421
11 years to 15 years	25.698	30.964	56.662
16 years to 20 years	23.688	38.527	62.215
21 years to 25 years	16.921	42.462	59.383
26 years to 30 years	11.520	25.349	36.869
31 years to 35 years	9.279	5.304	14.583
36 years to 40 years	10.961	3.250	14.211
41 years to 45 years	11.691	3.378	15.069
46 years to 50 years	13.492	4.785	18.277
51 years to 55 years	18.334	7.114	25.448
56 years to 60 years	23.849	8.395	32.244
61 year +	138.036	2.753	140.789
<b>Total</b>	<b>339.474</b>	<b>244.436</b>	<b>583.910</b>

## **10. Risk and Performance**

- 10.1** 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.
- 10.2** 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.

- 10.3** 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 Chief Officer – Resources

Audit Committee: 9 November 2022

#### Subject: Internal Audit Plans 2021/22 and 2022/23 – Progress to 30 September 2022

#### 1. Purpose

1.1 The purpose of this report is to advise Members of progress at 30 September 2022 against the Internal Audit Plans for 2021/22 and 2022/23.

1.2 The report also advises Members of:

- Recently issued Internal Audit reports and action plans; and
- 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 plans for 2021/22 and 2022/23 were approved by the Audit Committee on 10 March 2021 and 15 June 2022 respectively. This report provides information on the progress in implementing the plans.

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 regularly 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 A new risk-based audit methodology was implemented during 2020/21. For each audit, one of four audit opinions is expressed:

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

	some organisation objectives at risk.
<b>Requires Improvement</b>	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
<b>Unsatisfactory</b>	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:

<b>Red</b>	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.
<b>Amber</b>	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.
<b>Green</b>	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** Two audit review has been finalised since the Audit Committee meeting in August 2022 as follows:

- Capital Projects – Project Management Arrangements
- Overtime

#### **Capital Projects – Project Management Arrangements**

**4.5** The Council through its Project Management Office developed a Project Management Approach which is a framework for managing and delivering projects. This approach establishes a set of processes, standards reports and templates to help managers manage a project successfully from start to finish. In 2014 the Council established the Capital Investment Team to deliver the Council's key strategic capital projects. This includes the Office Rationalisation Project, Elderly Care Home Modernisation Project in addition to a number of other large capital projects. Once established, the Capital Investment Team developed an enhanced version of the Project Management Approach which is appropriate for the management of large capital projects.



**4.6** The Council has completed a number of major capital projects over the last 8 years including:

- Queens Quay Regeneration £15.94M
- District Heating Network £22M
- Office Rationalisation £22M
- Clydebank Leisure Centre £24M
- Lomond Bridge £3.2M
- Schools Improvement £11.2M

**4.7** The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by the Council in relation to the management of capital projects.

**4.8** The review focussed on the high level processes and procedures in relation to Capital Projects – Project Management Arrangements and concentrated on the adequacy and effectiveness of project governance, monitoring & reporting arrangements.

**4.9** The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issue identified as follows:

#### Lack of Capital Project Post-Implementation Reviews

In relation to capital projects, post-implementation reviews should be carried out to ensure that projects have delivered, or are on course to deliver, the intended benefits and to learn lessons. At West Dunbartonshire Council, all post-implementation reviews of capital projects are required to be reported to Audit Committee.

The audit identified that the last report to Audit Committee on capital project post-implementation reviews was in March 2018. Since that date, a number of capital projects have been completed and have been operational for 12 months or more but a post-implementation review has not yet been carried out and reported to Audit Committee.

**4.10** There were 2 issues identified, one of which we consider to be individually significant and an action plan is in place to address all issues by 31 January 2023.

#### **Control Self-Assessment - Overtime**

**4.11** Work in excess of the standard weekly hours should not be a regular occurrence and is discouraged. However, where overtime is found to be unavoidable and previous approval has been given by a senior officer to whom this power has been delegated, payment will be made in accordance with the guidance contained within the Terms & Conditions of Employment. For the test period of 2021/22, the total overtime hours claimed was 222,095 with the sum paid of £3,769,702. For the top 30 claimants, the highest hours claimed was 1,587 and sum paid was £33,412 and the lowest hours claimed in the top 30 was 685 and the sum paid was £14,422.

- 4.12** The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by West Dunbartonshire Council in relation to Overtime.
- 4.13** The audit concentrated on those employees who claimed high levels of overtime of £14,000 or more in the financial year 2021/22.
- 4.14** The overall control environment opinion was **Satisfactory**. There were five AMBER issues identified as follows:

#### Adequacy of Guidance

Guidance on overtime is contained within the Terms and Conditions of Employment, however this only forms a few short paragraphs which does not provide sufficient guidance for employees and managers.

The control self-assessment exercise confirmed that managers would welcome more comprehensive guidance in relation to overtime.

Without comprehensive guidance, manager may apply an inconsistent approach to overtime claims.

#### Lack of Common Process/Standard Claim Form

The audit identified that there was no common process in place for the administration and recording of overtime across services including the overtime claim form which is different across services and in some services a claim form is not completed.

Without a standard approach and clear audit trail, there is a risk that errors and irregularities may occur and go undetected.

#### Lack of Evidence of Pre-approval of Overtime

The audit identified that there was no evidence of management pre-approval for overtime within the services tested. Where discussion has taken place, no written or electronic record is taken and retained.

There is a risk that overtime may be worked which was not approved.

#### Adequacy of Authorisation of Overtime Claims

The audit identified that, in some services, there was either no authorisation of overtime claims or no evidence of authorisation as supervisors were not recording their signature on overtime claim forms or weekly timesheets where an overtime claim form is not completed.

There is a risk that overpayments of overtime may occur and go undetected.

### Non-Compliance with Working Time Directive

One service was unable to confirm if two employees who had worked excessive hours during the period tested had formally opted out of the 48 hour restriction as no agreement was held on file.

- 4.15** The audit identified 6 issues, 5 of which we consider to be individually significant and an action plan is in place to address all issues by 1 November 2022.
- 4.16** The fieldwork for the 2021/22 Annual Audit Plan is now complete and the current status is as follows:

<b>Stage</b>	<b>Number of Audits</b>
Final Report	6
Draft Report	1
Fieldwork Complete	0
Fieldwork	0
Planning	0
Deferred to 22/23	4
B/f 20/21 Audits completed in 21/22	5
<b>Total</b>	<b>16</b>

- 4.17** Full delivery of the 2021/22 audit plan was delayed due to unanticipated staff turnover, staff absence and completion of 2020/21 audit plan. The team is now back to full complement and has regained momentum to complete the audit plan for 2021/22 and has started the planning and fieldwork for audits in the 2022/23 audit plan. The status of both audit plans is attached at Appendix 1.
- 4.18** In relation to audit work for Integration Joint Board, the agreed audit plan is being progressed with regular reporting to the Integration Joint Board Audit & Performance Committee.
- 4.19** In relation to the Valuation Joint Board, planning for the 2022/23 audit plan will commence in December 2022.
- 4.20** In relation to the Leisure Trust, planning for the 2022/23 audit plan will commence in December 2022.
- 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 were 4 actions due for completion by the end of September, 3 of which were reported as completed by management and a revised date requires to be set for one action. Work is ongoing with services to ensure action plan dates agreed are realistic. The status report at 30 September 2022 is provided at Appendix 2.

#### Ongoing Corporate Fraud Team Work

- 4.22** From 1 April to 30 September 2022, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £250,000.

<b>Description</b>	<b>Amount (£)</b>
Council Tax Reduction	24,097
Council Tax Single Person's Discount	8,785
National Fraud Initiative (Housing Benefit)	13,789
National Fraud Initiative (Council Tax/Council Tax Reduction)	6,122
National Fraud Initiative (Small Business Bonus Scheme)	0
Joint Working Housing Benefit/Council Tax Reduction	0
Non Department for Work and Pensions Housing Benefit	52,195
Non Department for Work and Pensions Council Tax Reduction	0
Department for Work and Pensions Housing Benefit Error	8,676
Covid 19 Business Grants	5,250
Scottish Welfare Fund Community Care Grant	1,295
Administrative Penalty	0
<b>Total</b>	<b>£120,209</b>

- 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.

#### 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 timescale and report back on any savings.
- 4.25** The most recent biennial exercise for 2020/21 is now complete and Audit Scotland has published a report on the outcomes relating to the 2020/21 exercise. This is on the agenda for the Audit Committee in November 2022.

#### 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; and
- Stirling.

4.27 Meetings will continue to take place during 2022 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 As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £120,209 from 1 April to 30 September 2022 have been identified against an annual target of £250,000.

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.

.....  
**Laurence Slavin**  
**Chief Officer - Resources**  
**Date: 14 October 2022**

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**Person to Contact:** Andi Priestman, Shared Service Manager – Audit & Fraud  
E-mail: [andi.priestman@west-dunbarton.gov.uk](mailto:andi.priestman@west-dunbarton.gov.uk)

**Appendices:** 2021/22 and 2022/23 Annual Audit Plans – Progress to 30 September 2022 (Appendix 1)  
Status of Internal Audit Action Plans at 30 September 2022 (Appendix 2)

**Background Papers:**     Audit Committee – 02 March 2022: Internal Audit Annual Plan 2022/23  
                                  Audit Committee – 10 March 2021: Internal Audit Annual Plan 2021/22  
                                  Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy  
                                  Internal Audit Reports - Copies available on request

**Wards Affected:**         All wards

## 2021-2022/2022-2023 Internal Audit Annual Audit Plans – Progress to 30 September 2022

Audit/Status 2021-22 Audit Plan	Not Started	Planning	Fieldwork	Fieldwork Complete	Draft Report	Final Report	Date Reported to Audit Committee
<b>Risk –Based Reviews</b>							
Integrated Housing Management System – Stock Control		✓	✓	✓	✓	✓	March 2022
Learning Disability Services – Financial Monitoring	✓	Carried forward to 2022/23 Audit Plan					
Building Services – Work In Progress	Advisory work was carried out with the Service on interim process during Q1 2022. A full review of this work will be included in the audits of Building Services during 2022/23.						
Building Services – Price Checks	Advisory work was carried out with the Service on interim process during Q1 2022. A full review of this work will be included in the audits of Building Services during 2022/23.						
Occupational Therapy Waiting Times	✓	Carried forward to 2022/23 Audit Plan					
Financial Assessment Process	✓	Carried forward to 2022/23 Audit Plan					
Corporate Procurement – Supplier Management	✓	Carried forward to 2022/23 Audit Plan					
Overtime		✓	✓	✓	✓	✓	November 2022
Vehicle Tracking System		✓	✓	✓	✓		February 2023
Project Management Arrangements		✓	✓	✓	✓	✓	November 2022
Employee Expenses		✓	✓	✓	✓	✓	June 2022
<b>Limited Scope Financial System Reviews</b>							
Debtors		✓	✓	✓	✓	✓	August 2022
<b>Other Work</b>							
Integration Joint Board – Internal Audit Service	The internal audit annual plan for 2021/22 is complete.						
Valuation Joint Board – Internal Audit Service	The internal audit annual plan for 2021/22 is complete.						
Leisure Trust – Internal Audit Service	The internal audit annual plan for 2021/22 is complete.						
Covid-19 Recovery Assurance Work	Ad hoc advice was provided on an ongoing basis.						
National Fraud Initiative	Matches for the 2020/21 exercise continue to be investigated. Audit Scotland has issued a report on the 2020/21 Exercise which will be reported to the November 2022 meeting.						
2020/2021 Audit Plan Completion	Five audit reports from the 2020/21 audit plan were finalised during 2021/22 including: Rent Arrears, Pupil Equity Funding, Homelessness, Client Accounts Administration Process and Corporate Procurement – Under £50,000.						

2021-2022/2022-2023 Internal Audit Annual Audit Plans – Progress to 30 September 2022

Audit/Status 2022-23 Plan	Not Started	Planning	Fieldwork	Fieldwork Complete	Draft Report	Final Report	Date Reported to Audit Committee
<b>Risk-Based Reviews</b>							
Learning Disabilities Services – Financial Monitoring of Contracts	There is currently a redesign planned for LDS financial monitoring processes. Audit resource will be provided to the project and terms of reference will be agreed.						
Fleet Management		✓					February 2023
Occupational Therapy Waiting Times		✓					February 2023
Financial Assessment Process		✓	✓	✓			February 2023
Housing Repairs and Maintenance	✓						May 2023
Corporate Procurement – Supplier Management		✓	✓	✓			February 2023
Vehicle Maintenance	✓						February 2022
Void Management	✓						May 2023
Housing Waiting Lists		✓	✓	✓	✓		February 2023
Parent Pay		✓					February 2023
Off Payroll Working	✓						May 2023
Corporate Purchase Cards		✓	✓	✓			February 2023
<b>Limited Scope Financial System Reviews</b>							
Non-Domestic Rates	✓						February 2023
Creditors	✓						May 2023
<b>Compliance Reviews</b>							
Health and Wellbeing Policy	✓						May 2023
<b>Other Work</b>							
Integration Joint Board – Internal Audit Service	The internal audit annual plan for 2022/23 is underway. Progress updates will be provided to the HSCP Board Audit & Performance Committee.						
Valuation Joint Board – Internal Audit Service	The internal audit annual plan for 2022/23 will be carried out in Q4.						
Leisure Trust – Internal Audit Service	The internal audit annual plan for 2022/23 will be carried out in Q4.						
National Fraud Initiative	Planning for the 2022 Exercise is underway. Data sets are due to be uploaded by end of November. Matches will start to be received in January 2023.						
2021/2022 Audit Plan Completion	Three audits will be finalised during 2022/23 – Project Management Arrangements; Vehicle Tracking System and Overtime.						





**REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLANS  
AT 30 SEPTEMBER 2022**

**Summary: Section 1 Summary of Management Actions due for completion by 30/09/2022**

There were 4 actions due for completion by 30 September 2022, 3 of which have been reported as completed by management and a revised date is required for 1 action.

**Section 2 Summary of Current Management Actions Plans at 30/09/2022**

At 30 September 2022 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

**Section 3 Current Management Actions at 30/09/2022**

At 30 September 2022 there were 12 current audit action points.

**Section 4 Analysis of Missed Deadlines**

At 30 September 2022 there were 3 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 30.09.2022**

**SECTION 1**

<b>Strategic Area</b>	<b>No. of Actions Due</b>	<b>No. of Actions Completed</b>	<b>Deadline missed Revised date set*</b>	<b>No response received</b>
Roads and Neighbourhood	3	3		
HSCP – Health and Community Care	1			1
<b>Total</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>1</b>

\* 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 30.09.2022**

**SECTION 2**

**CURRENT ACTIONS BY STRATEGIC AREA**


<b>Housing and Employability</b>	
Due for completion March 2023	1
<b>Total Actions</b>	<b>1</b>
<b>Supply, Distribution and Property</b>	
Due for completion October 2022	1
Due for completion December 2022	2
Due for completion January 2023	1
Due for completion March 2023	1
<b>Total Actions</b>	<b>5</b>
<b>Roads and Neighbourhood</b>	
Due for completion October 2022	2
<b>Total Actions</b>	<b>2</b>
<b>People and Technology</b>	
Due for completion November 2022	3
<b>Total Actions</b>	<b>3</b>
<b>HSCP - Health and Community Care</b>	
Completion Date to be advised	1
<b>Total Actions</b>	<b>1</b>
<b>Total current actions:</b>	<b>12</b>

**REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS  
CURRENT ACTION PLANS AT 30.09.2022**



**SECTION 3**

**Current Internal Audit Action Plans**



**P 173. Housing Voids ( Report Issued October 2020)**

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/079	<b>Void Management Policy Review &amp; Update (Amber)</b> The previous policy had fallen into abeyance, with the strategic direction for voids led by the Housing Improvement Board. Whereas this has led to significant improvements against the key tenets of the historic policy, given the extent of systemic and structural changes it would be beneficial to codify this within a revised policy. This will be developed with new tenant feedback and wider tenant consultation.		31-May-2021 28-Feb-2022	31-Mar-2023*	Housing Operations Manager	Chief Officer – Housing and Employability

**P IHMS Stores and Stock Management (Report issued January 2022)**

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/104	<b>Lack of Stock Control Process for Direct Purchases of UPVC Units (Red)</b> An inventory of sizes/ types/hands/styles of uPVC windows and doors will be developed for inactive orders. A plan will be put in place to install all units where feasible. Any unusable units will be dealt within in line with the Council’s management of obsolete stock procedures.		31-Mar-2023	31-Mar-2023	Building Services Manager	Chief Officer – Supply, Distribution and Property
IAAP/106	<b>Full implementation of Minimum/Maximum Levels and automatic reordering of stock items (Amber)</b> These actions form part of stores catalogue review which is ongoing and scheduled to be completed early in the financial year 2022/2023.		30-Apr-2022	31-Dec-2022*	Building Services Manager	Chief Officer – Supply, Distribution and Property



Status Key



	On track
	Overdue – update required

**REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS  
CURRENT ACTION PLANS AT 30.09.2022**

**SECTION 3**

<b>P</b>	<b>Employee Expenses (Report issued May 2022)</b>
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Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/109	<p><b>Lack of Co-ordination and Management of Pool Vehicles (Amber)</b> A working group has been established to review pool car procedures which is being chaired by the Chief Officer Shared Services Roads &amp; Neighbourhood.</p> <p>The CAS team will be responsible for maintaining pool vehicle records. A review is currently being carried out of procedures to make this process more efficient.</p> <p>Cost Savings Analysis will be carried on an annual basis and reported as appropriate.</p>		01-Oct-2022	01-Oct-2022	Shared Fleet and Waste Services Manager	Chief Officer – Roads and Neighbourhood
IAAP/111	<p><b>Identification of High Levels of Claims by Teams &amp; Individuals for Recommendation of Pool Car Use (Amber)</b> A working group has been established to review pool car procedures which is being chaired by the Chief Officer Shared Services Roads &amp; Neighbourhood.</p> <p>A list of high mileage claimants has been collated and the working group will assess the users in relation to allocation of pool cars and identify if additional vehicles are required.</p>		01-Oct-2022	01-Oct-2022	Shared Fleet and Waste Services Manager	Chief Officer – Roads and Neighbourhood

<b>Status Key</b>	
	On track
	Overdue – update required



**REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS  
CURRENT ACTION PLANS AT 30.09.2022**

**SECTION 3**



**P Management of Capital Projects (Report Issued July 2022)**

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/136	<b>Lack of Capital Project Post Implementation Reviews (Amber)</b> Review internal PPR template with Finance colleagues.		31-Oct-2022	31-Oct-2022	Corporate Asset Manager	Chief Officer – Supply, Distribution and Property
IAAP/137	<b>Lack of Capital Project Post Implementation Reviews (Amber)</b> Produce revised PPR document and present to Strategic Asset Management Group for approval.		31-Dec-2022	31-Dec-2022	Corporate Asset Manager	Chief Officer- Supply, Distribution and Property
IAAP/138	<b>Lack of Capital Project Post Implementation Reviews (Amber)</b> Agree timeline for outstanding PPR's and commence in priority order.		31-Jan-2023	31-Jan-2023	Corporate Asset Manager	Chief Officer – Supply, Distribution and Property

**P Overtime (Report Issued August 2022)**



Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/130	<b>Adequacy of Guidance (Amber)</b> Management will develop a separate guidance document for the management of overtime. This will set out the Council's approach to approved overtime working and provide clear guidance for both managers and employees		1-Nov-2022	1-Nov-2022	Strategic People and Change Manager	Chief Officer – People and Technology
IAAP/131	<b>Lack of Common Process/Standard Claim Form (Amber)</b> Management will ensure that a standard approach to overtime is established which will include a standard claim form to be used by all services. This will include sections for the recording of all appropriate details i.e. start/finish times of overtime working, reasons for overtime and signature of employee and authorising officer. This will be included in the guidance being developed.		1-Nov-2022	1-Nov-2022	Strategic People and Change Manager	Chief Officer – People and Technology

Status Key



	On track
	Overdue – update required

**REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS  
CURRENT ACTION PLANS AT 30.09.2022**

**SECTION 3**

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/132/4	<b>Lack of Evidence of Pre-approval of Overtime (Amber)</b> This will be included in guidance developed.		1-Nov-2022	1-Nov-2022	Strategic People and Change Manager	Chief Officer – People and Technology
IAAP/134	<b>Non-compliance with Working Time Directive (Amber)</b> Management will carry out regular checks to ensure that all employees who work overtime do not breach the working time regulations. Opt out agreements will be completed as required for relevant staff.		30-Sep-2022	To be advised*	Care at Home Service Manager	Head of Service – Health and Community Care

Status Key

	On track
	Overdue – update required

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

**SECTION 4**

<b>Report</b>	<b>Agreed Action</b>	<b>Original Due Date</b>	<b>Revised Date</b>	<b>Management Comments</b>
<b>Housing Voids (October 2020)</b>	<p><b>Void Management Policy Review &amp; Update (Medium Risk)</b> The previous policy had fallen into abeyance, with the strategic direction for voids led by the Housing Improvement Board. Whereas this has led to significant improvements against the key tenets of the historic policy, given the extent of systemic and structural changes it would be beneficial to codify this within a revised policy. This will be developed with new tenant feedback and wider tenant consultation.</p>	31-May-2021 28-Feb-2022	31-Mar-2023	<p>The re-let standard options paper is being finalised at void WG thereafter will be presented to Oct HIB for sign off, then will be shared with WDTR0 – target date amended to 31/10.</p> <p>Re the void policy, management have reviewed the previous document and consider this to be a void procedure document not a policy that will be updated to reflect the revised working practices/ systems for the voids process. This will not require Committee or consultation with WDTR0 as it will be an operational procedure. Work is yet to start on this and will likely run over Xmas period, target date extended to 31/3/2023 to allow sufficient time to do the work between housing operations/building services and homeless teams to reflect updated practice.</p>
<b>IHMS Stores and Stock Management (January 2022)</b>	<p><b>Full implementation of Minimum/Maximum Levels and automatic reordering of stock items (Amber)</b> These actions form part of stores catalogue review which is ongoing and scheduled to be completed early in the financial year 2022/2023.</p>	30-Apr-2022	31-Dec-2022	<p>The review of stock catalogue is continuing and progress has been impacted due to staff shortages and other priorities. Minimum and maximum stock levels have been updated within each store and automatic reordering will be implemented when the work on the stock catalogue has been completed.</p>
<b>Overtime (August 2022)</b>	<p><b>Non-compliance with Working Time Directive (Amber)</b> Management will carry out regular checks to ensure that all employees who work overtime do not breach the working time regulations. Opt out agreements will be completed as required for relevant staff.</p>	30-Sep-2022	To be advised	<p>Management have contacted relevant staff in order to complete opt out agreements. Completed forms for 11 individual staff members have still to be received.</p>



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

**SECTION 5**

**Status at 30 September 2022**

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			H	M	L
2018/2019	79	79	0	0	0
2019/2020	67	67	0	0	0
<b>Total</b>	<b>146</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>0</b>

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			Red	Amber	Green*
2020/2021	25	17	0	1	7
2021/2022	51	26	1	10	14
<b>Total</b>	<b>76</b>	<b>43</b>	<b>1</b>	<b>11</b>	<b>21</b>

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



**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer - Resources****Audit Committee: 9 November 2022**

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**Subject: National Fraud Initiative 2020/21****1. Purpose**

- 1.1** The purpose of this report is to inform Members of the Audit Scotland Report “National Fraud Initiative 2020/21” published in August 2022 and to provide an overview of the key messages and recommendations raised in the report and how these issues are being addressed by the Council.

**2. Recommendations**

- 2.1** It is recommended that the Audit Committee notes the contents of this report and agrees that a further update report is submitted to the March 2023 Audit Committee outlining the Council’s progress with the 2022-2023 exercise.

**3. Background**

- 3.1** The NFI in Scotland is now well established with this being the 8th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:
- acts as a deterrent to potential fraudsters.
  - identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
  - can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
  - operates across boundaries between public bodies in different sectors and countries.
  - represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.
- 3.2** The NFI works by using data matching to compare a range of information held on bodies’ systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called ‘matches’. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

- 3.3** Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.
- 3.4** Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.
- 3.5** Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The NFI exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

#### **4. Main Issues**

- 4.1** The latest report was published in August 2022 and can be found [here](#):

In terms of key messages, the report identified the following:

- The 2020/21 NFI exercise has identified outcomes valued at £14.9 million. The cumulative outcomes from the NFI in Scotland since 2006/07 are now £158.5 million.
- The overall level of fraud identified by the NFI has fallen by £0.4 million since the last report in July 2020. The reduction in outcomes could be due to less fraud and error in the system, strong internal controls or due to some key data sets from previous exercises not being included in the latest exercise.
- Most organisations that participate in the NFI continue to demonstrate a strong commitment to counter-fraud and the NFI. However a lower percentage of participating public bodies managed their roles in the 2020/21 NFI exercise satisfactorily compared to the 2018/19 exercise.
- Pilot work to look at potential data matches for future NFI exercises identified £2.2 million in incorrect non-domestic rates relief. The report can be found [here](#).

- 4.2** Since the last exercise in 2018/19, the areas with significant changes are as follows:

- Council Tax Discounts – £4.6m, which is a reduction of £0.3m
- Pensions – £1.5m, which is a reduction of £1.7m
- Housing Benefit - £1.2m, which is reduction of £1.6m
- Blue badges – £2.7m, which is an increase of £0.9m

- Housing Waiting Lists - £1.6m which is a decrease of £0.1m
- Creditors - £0.5m, which is a reduction of £0.1m
- Council Tax Reduction Scheme - £0.7m, which is an increase of £0.4m

**4.3** From a local perspective, outcomes valued at £75,630 have been recorded for the 2020/21 exercise as follows:

<b>Area</b>	<b>No. Of Cases</b>	<b>Fraud</b>	<b>Error</b>	<b>Financial Outcome</b>
HB Claimants	4	4	0	£19,230
Council Tax Reduction/Discount	19	19	0	£38,377
Creditors	2	0	2	£18,023
Blue Badge	184	42	142	£105,800 (Notional)
<b>TOTAL</b>	<b>213</b>	<b>69</b>	<b>144</b>	<b>£75,630</b>

**4.4** In relation to the business rates pilot exercise, 4 cases of fraud were identified with an associated financial outcome of £57,279.

**4.5** The report recommends that:

- All participating bodies in the NFI exercise should ensure that they maximise the benefits of their participation. This includes reviewing matches timeously and prioritising high-risk matches. NFI users should review the guidance within the NFI secure web application to help ensure the most effective use of limited resources when reviewing and investigating NFI matches.
- The NFI self-appraisal checklist should be reviewed by the audit committee, or equivalent, and staff leading the NFI process. This is to ensure that their organisation's planning, approach and progress during the next NFI exercise is appropriate.
- Where local auditors have identified specific areas for improvement, participating bodies should act on these as soon as possible.

**4.6** In response to the recommendations, a copy of the completed self-appraisal checklist is attached at Appendix 1. This highlights the good progress the Council continues to make in undertaking counter-fraud activities.

## **5. Personnel Implications**

**5.1** There are no personnel issues with this report.

## **6. Financial and Procurement Implications**

**6.1** There are neither financial nor procurement implications arising directly from this report.

## **7. Risk Analysis**

**7.1** The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

## **8. Equalities Impact Assessment (EIA)**

**8.1** There are no issues.

## **9. Consultation**

**9.1** This report has been subject to consultation with appropriate Strategic Leads.

## **10. Strategic Assessment**

**10.1** This report relates to all five of the Council's Strategic Priorities.

**Laurence Slavin**  
**Chief Officer - Resources**  
**Date: 14 October 2022**

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**Person to contact** Andi Priestman, Shared Service Manager – Audit & Fraud  
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**Appendix 1:** NFI Self-appraisal checklist

**Background Papers:** None

**Wards Affected:** All wards

## Self Appraisal Checklist

<b>Part A</b>			
<b>for those charged with Governance</b>	<b>Yes/No/Partly</b>	<b>Is action Required?</b>	<b>Who and By When</b>
<b>Leadership Commitment and Communication</b>			
1. Are we aware of emerging fraud risks and taken appropriate preventative and detective action?	Yes	Yes - regular updates are received through NAFN and CIFAS which are circulated to relevant services within the Council.  The Internal Audit Annual Audit Plan for 2020/21 includes an allocation of resource to undertake relevant fraud activity including investigation of national fraud initiative exercise and other investigations.	N/A
2. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	Yes	The responsibility for overseeing the NFI lies with Internal Audit. Internal Audit will review all aspects of NFI for the coming 2022/2023 exercise. A report will be presented to the Audit Committee outlining how the Council is engaging with the 2022/2023 exercise.	Shared Service Manager - Audit & Fraud February 2023
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error ?	Yes	The NFI is included within our Anti-Fraud and Corruption Policy.	N/A
4. Have we considered using the point of application data matching service offered by the NFI team, to enhance assurances over internal controls and improve our approach to risk management?	Partly	This is not something that is actively used by services. This will be considered as part of the 2022/23 NFI exercise.	Shared Service Manager - Audit & Fraud March 2023
5. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes	A high level summary is provided to Audit Committee on NFI progress and the annual report provides more detail on areas investigated and outcomes.	N/A
6. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	N/A	All required data sets are submitted.	N/A
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes	The responsibility for overseeing the NFI lies with Internal Audit. Internal Audit will review all aspects of NFI for the coming 2022/2023 exercise. A report will be presented to the Audit Committee outlining how the Council is engaging with the 2022/2023 exercise.  Outcomes of the NFI exercise are used to inform potential audit areas for future annual audit plans.	Shared Service Manager - Audit & Fraud February 2023
8. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes	Outcomes of the NFI exercise are used to inform potential audit areas for future annual audit plans.  As part of the 2022/23 Annual Internal Audit Plan we will carry out a review of waiting lists to review the adequacy and effectiveness of processes that are in place in relation to waiting lists.	Shared Service Manager - Audit & Fraud March 2023
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Yes	Published on website and during fraud awareness training internally.	N/A
<b>Part B</b>			
<b>For the NFI Key contacts and users</b>			
<b>Planning and Preparation</b>			
1. Are aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?	Yes	Yes - regular updates are received through NAFN and CIFAS which are circulated by the Corporate Fraud team to relevant services within the Council.	Shared Service Manager - Audit & Fraud Ongoing
2. Are we investing sufficient resources in the NFI exercise?	Partly	As part of the 2022/23 exercise the Corporate Fraud team will carry out a review of dataset owners across the Council to ensure sufficient resources are in place.	Shared Service Manager - Audit & Fraud February 2023
3. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes	Quality checks on data are carried out regularly.	N/A

4. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes	The responsibility for overseeing the NFI lies with Internal Audit. Internal Audit will review all aspects of NFI for the coming 2022/2023 exercise.  A report will be presented to the Audit Committee outlining how the Council is engaging with the 2020/2023 exercise.	Shared Service Manager - Audit & Fraud  February 2023
5. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes	Sufficient allocation of resource for the NFI work is included within the Internal Audit Annual Audit Plans. Progress reports are submitted to Audit Committee on a regular basis.	Shared Service Manager - Audit & Fraud  Ongoing
6. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes	This is recognised in terms of the matches received. Resources for the Corporate Fraud team's workplan are reviewed in light of the matches received and the level of outcomes for earlier exercises.	Shared Service Manager - Audit & Fraud  Ongoing
7. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes	This exercise has been confirmed using the online facility in September 2022.	Shared Service Manager - Audit & Fraud  30 September 2022
8. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes	Internal Audit co-ordinates the NFI exercise and a timetable is in place to meet timescales for data upload for the 2022-2023 exercise.	Shared Service Manager - Audit & Fraud  November 2022
9. Have we considered using the the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes	This is not something that is currently used within the Council as it attracts additional costs and the functionality requires to be reviewed for any enhancements offered. This will be considered as part of the 2022/23 NFI exercise.	Shared Service Manager - Audit & Fraud  March 2023
<b>Effective Follow up Matches</b>			
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Yes	Progress is monitored and followed up by the Corporate Fraud Team.	Shared Service Manager - Audit & Fraud  Ongoing
11. Do we give priority to following up high-risk matches, those that become quickly out-of-date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes	A full review of protocols for all services has been carried out by Internal Audit to ensure compliance. High risk matches have been fully discussed with all services and they are aware to prioritise these. This will be monitored by the Corporate Fraud Team.	Shared Service Manager - Audit & Fraud  Ongoing
12. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes	A full review by Corporate Fraud team has been conducted to ensure all services are investigating adequately. We are satisfied that all services are full investigating matches before reaching a "no issue" outcome.	N/A
13. (In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter-Fraud Services?	N/A		
14. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? <u>Are we recovering funds effectively?</u>	Yes	Appropriate reports to PF, disciplinary action are taken, debt recovery procedures in place.	N/A
15. Do we avoid deploying excessive resources on match reports where early work (eg, on high-risk matches) has not found any fraud or error?	Yes	Reviews of results undertaken and resources based on the outcomes achieved will be deployed to other recommended or high risk matches. The Corporate Fraud team will review all services to ensure compliance.	Shared Service Manager - Audit & Fraud  Ongoing
16. Where the number of high-risk matches is very low, are we adequately considering the medium and low-risk matches before we cease our follow-up work?	Yes	The Corporate Fraud team have reviewed each service to ensure they consider the "All Matches" report. All services are aware of the "all matches" report.	N/A
17. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes	The Corporate Fraud team review resources to ensure appropriate resources are being deployed.	N/A
<b>Recording and Reporting</b>			
18. Are we recording outcomes properly in the secure website and keeping it up to date?	Yes	The Corporate Fraud team have carried out a full review of this area to ensure compliance.	N/A
19. Do staff use the online training modules and guidance on the secure website, and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes	Offices have found the online training helpful and if required they have been informed to consult with Internal Audit for further training/assistance. Internal Audit have also raised awareness of the online training modules with all services.	N/A
20. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes?	N/A	All outcomes are reported in secure website.	N/A