

AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 6 FEBRUARY 2023

4.00 PM

**COUNCIL CHAMBER, FENLAND HALL,
COUNTY ROAD, MARCH**

Committee Officer: Jo Goodrum
Tel: 01354 622285
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Although this is a public meeting, members of the public are encouraged to view the meeting via our YouTube channel: <https://youtube.com/live/L1x0CdrzlgI?feature=share>

- 1 To receive apologies for absence.
- 2 Previous Minutes. (Pages 3 - 8)

To confirm the minutes of 17 October 2022.
- 3 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.
- 4 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.
- 5 Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 (Pages 9 - 30)

To provide Members with information on the proposed Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2023/24.

6 Corporate Risk Register Quarterly Update (Pages 31 - 62)

To provide an update to the Audit and Risk Management Committee on the Council's Corporate Risk Register.

7 Internal Audit Plan 2022/23 (Pages 63 - 74)

To report progress against the Internal Audit Plan 2022-23 for the period 01 April 2022 including planned work until 31 December 2022 and the resulting level of assurance. To provide an update to members on the resourcing challenges in the Internal Audit Team.

8 Audit and Risk Management Committee Work Programme (Pages 75 - 82)

For information.

9 Items of Topical Interest.

10 Items which the Chairman has under item 3 deemed urgent.

Friday, 27 January 2023

Members: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor Mrs J French, Councillor N Meekins, Councillor J Mockett, Councillor M Purser, Councillor R Skoulding, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 17 OCTOBER 2022 - 4.00 PM



PRESENT: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor Mrs J French, Councillor M Purser, Councillor S Tierney and Councillor R Wicks

APOLOGIES: Councillor N Meekins, Councillor J Mockett, Councillor R Skoulding and Councillor F Yeulett

Officers in attendance: Peter Catchpole (Corporate Director and Chief Finance Officer), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

ARMC10/22 PREVIOUS MINUTES.

The minutes of the meeting held on 4 July 2022 were confirmed and signed as an accurate record.

ARMC11/22 EXTERNAL AUDIT PLAN

Members considered the External Audit Plan for 2020/21 presented by Mark Hodgson from Ernst & Young (EY).

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to Mark Hodgson's presentation where he had mentioned infrastructure assets and within the report at Page 15 it mentions highways infrastructure assets and the example of pavements was given, but that the Council are not the Highway Authority and he asked what the level of risk is for the Council and should the point be directed towards the County Council level rather than the District Council? Mark Hodgson stated that the Council does hold £5,000,000 of infrastructure assets which Mark Saunders, the Chief Accountant, can provide the details of. He added that there are a large number of District Councils who are not highway authorities who do hold assets and the accounting concept is exactly the same.
- Councillor Mrs French questioned whether the assets referred to include car parks? Mark Saunders confirmed that it does not. Councillor Mrs French asked for further detail of the £5,000,000 of assets and Mark Saunders stated that they include sewerage treatment works, land around the port quay and a number of environmental improvements that have been undertaken around the district. Councillor Mrs French asked whether the public rights of way are included in that infrastructure list? Mark Saunders confirmed that they are not included, and he agreed that a list of the assets will be provided to members of the committee.
- Councillor Booth asked for confirmation that Mark Hodgson and his team was fully resourced in order to undertake the required work for the Council in November 2022. Mark Hodgson confirmed that there had been staffing issues in 2020, however, that resourcing issue had now been resolved and the requisite work will be commencing on 1 November 2022. Peter Catchpole confirmed that Mark Saunders' assistant has joined a neighbouring authority and they have agreed that he will be able to return to Fenland to assist following agreement and scheduling of dates with Ernst & Young.

Peter Catchpole confirmed that the Audit Plan would not need to be considered by Cabinet.

Members AGREED to note the External Audit Plan.

ARMC12/22 STATEMENT OF ACCOUNTS 2021/22

Members considered the Statement of Accounts 2021-22 report presented by Mark Saunders, Chief Accountant.

Members made comments, asked questions, and received responses as follows:

- Councillor Booth stated that with regards to long term investments there is a figure detailed against that entry within the accounts and he asked whether that is in relation to the properties in Wisbech, which details a sum of £230,000? Mark Saunders explained that the figure relates to two long term investments in property funds that were taken out at the end of the year, and he stated that the expectation is that when dealing with property funds they should normally be in place for around five years in order to try and benefit from any potential rise in capital and the annual rental interest payments. Councillor Booth stated that as it is a new area for the Council to be involved in, the risks need to be reviewed and monitored closely.
- Councillor Booth referred to the Public Works Loan Board and stated that there appears to be one loan which is due to reach maturity in the next five or six years and he asked whether they should be listed including the end dates so there is a clear picture understanding? Mark Saunders stated that the two loans from the Public Work Loan Board are reviewed very closely in terms of where the interest rates are going for repayment purposes and he explained that the Council's Treasury Advisors have recently provided a detailed breakdown of what the impact, penalties and benefits would be of early repayment. He added that if it becomes viable to repay it then in terms of the Council's Capital Programme it will be necessary to take out new loans in the future and at the moment due to interest rates it does not make sense to do so.
- Councillor Booth questioned what advice the Council's Treasury Advisors have provided with regards to interest rates for the short-term investments that the Council holds? Mark Saunders stated that the current advice is that the interest rates are likely to increase, and any short investments should be kept reasonably short until interest rates start to level out and the opportunity to plan a bit further ahead can be considered. He added that currently the rates over a 12-month period are not that much different to a rate over a few months, but the decision has been taken to keep any investments up to a three-to-six-month period so that the Council can take advantage of anything that takes place in the future. Mark Saunders explained that interest rates have increased quite significantly since this time last year and at that time the rate was very low where now the rate is between two and three per cent.
- Councillor Booth asked for clarity that the Council is not currently taking out any new investments for a twelve-month period due to the unknown financial situation? Mark Saunders confirmed that is the case and added that there needs to be some certainty because the Council has now invested quite significantly with the two property funds which need to be tied in with the cash flow requirements and consider what the situation will be over the next twelve months. He added although there are funds in the bank at the moment, there are a number of large projects which are taking place imminently which will have an impact on the funds the Council currently hold and there needs to be a certainty that the Council can still invest for that period of time.
- Councillor Mrs Davis stated that she reviewed the report where it makes reference to the pandemic, and there has been no news that the Government are planning to provide further funding, but all local authorities will be struggling due to the funding gap. She questioned whether there is any knowledge on what the impact will be for the Council? Mark Saunders explained that there are certain factors underway which will assist him in being able to look at the figures and at the moment as part of the budget setting exercise the overall finances

and budget of the Council is being reviewed to see how they culminate. He added that a draft budget report is due to go to Cabinet in December and a great deal of work will be undertaken to see what impact that will have but it is likely to be significant and it is likely that the Government will not provide any further money to our part of the public sector. Mark Saunders explained that if the Government maintain the levels of funding as they did in the 2021 spending review for the period, that will effectively be a cut in the amount received due to the fact that inflation is increasing towards 10% and pay awards are rising significantly higher than what had been budgeted for. He added that if there are no more additional resources received from the Government then it will be a significant challenge for all local authorities.

Members AGREED to note the contents of the draft Statement of Accounts for the financial year ended 2021/2022.

ARMC13/22 ANNUAL GOVERNANCE STATEMENT 2021/22

Members considered the Annual Governance Statement 2021-2 report presented by Kathy Woodward, Internal Audit Manager.

Members made comments, asked questions, and received responses as follows:

- Councillor Booth noted the changes made to the document this year and asked whether the changes have been made based on best practice elsewhere? Kathy Woodward explained that the Annual Governance Statement has not been reviewed for a number of years and has followed the same format for over 7 years. She added that it is not the easiest of documents to digest, hence the reason why the document now has an element of pictorial representation in order to provide a clearer understanding for people so that they can understand what the aims and objectives are. Kathy Woodward explained that there is an awareness of issues surrounding governance and not just in local authorities which have been identified through the Tony Redmond Review and the Department of Levelling Up and Communities. She explained that she has undertaken a bench marking exercise with other local authorities to help her to give the document an overhaul to make it more simplistic whilst still ensuring it meets the needs of what the Council is trying to produce as an authority.
- Councillor Booth stated that to make the document more user friendly should be commended in particular for members of the public who review such documents. He made reference to page 193 of the document which refers to the Council's Consultation Strategy, making the point that it is his understanding that it has been a number of years since that has been reviewed by members and he expressed the view as to whether that should be highlighted by the committee. He added that he is unsure whether that strategy is now being followed, and in particular, when engaging with Parish and Town Councils and for this reason he would like to see a review of it in due course. Kathy Woodward stated that is something she can incorporate in the document under areas of further improvement.

Members considered the content of the Annual Governance Statement and AGREED to approve its content for inclusion in the Council's published Statement of Accounts.

ARMC14/22 CORPORATE RISK REGISTER REVIEW

Members considered the Corporate Risk Register presented by Peter Catchpole, Corporate Director.

Members made comments, asked questions, and received responses as follows:

- Councillor Booth stated that it appears that the register has been thoroughly reviewed which he was pleased to see, and it appears that the changes he had highlighted previously have been implemented. He added that the document does not show what the previous position

was in the risks and likelihood, although the assumption is that the Council is moving in the correct direction of decreasing the risk and likelihood. Councillor Booth added it would be a worthwhile exercise to be able to show what the previous risk scores were. Peter Catchpole asked Councillor Booth whether he was referring to the way the risks are scored in the summary table. Councillor Booth confirmed he was, and Peter Catchpole stated that it is quite subjective, but he does not disagree with the point that Councillor Booth has made. Peter Catchpole explained that the scoring framework is discussed in great detail, but he agreed to look into the suggestion made by Councillor Booth which is a very valid point.

- Councillor Booth referred to inflation and added that within the report on page 211 it mentions the cost of living and the energy crisis and added that he is aware of issues with other councils where their energy contracts are not necessarily fixed and, therefore, they are more susceptible to the energy increases, and he asked whether a fixed energy contract had been put in place or a variable rate. Peter Catchpole stated that he is of the understanding that at the current time the Council is placed on a fixed deal which is due to be renewed in the next 12 months. Councillor Booth stated that if that is the case, it is unlikely that the Council will be able to obtain another fixed rate and will, therefore, be susceptible to the increases. Peter Catchpole stated that he is not aware what will be achievable, but efforts will be made to seek the best available rate at the necessary time. Councillor Booth expressed the view that it is unlikely that a fixed rate can be found.
- Councillor Booth asked whether the street lighting contract was separate to the main contract, and it was confirmed that it was. Councillor Mrs French stated that it is her understanding that the street light contract has another 12 months.
- Councillor Wicks questioned whether the Council is on a fixed rate tariff for energy costs for the foreseeable future for the infrastructure and buildings that the Council operates? Mark Saunders confirmed that the Council is on a separate contract for gas and electricity and uses the Eastern Shires Purchasing Organisation (ESPO) to achieve the best rates. He explained that both of the utilities are due to be renewed within the next 12 months.
- Councillor Mrs French asked for an update at the next meeting with regards to energy contract renewal details.
- Councillor Booth stated that Peterborough City Council have taken steps to modify all of their refuse vehicles to hybrid/oil type solution and asked whether it is something the Council would consider? He added that he understands that Peterborough are looking to save significant amounts of money compared to what their expenditure would be on diesel costs. Peter Catchpole explained that Cabinet recently approved a new contract for the supply of diesel through the ESPO framework and as far as he is aware there is no intention at looking at other options, but it is something to consider in the future. Mark Saunders explained that there is a rolling programme for the replacement of vehicles after so many years and on a yearly basis 1 or 2 vehicles are replaced. Councillor Booth asked whether the vehicles are leased, and Mark Saunders explained that due to the interest rates being so low for a number of years it has been better for the Council to finance the purchase of the vehicles instead. He added that some of the older vehicles are still on a leased basis but not the newer vehicles.

Members AGREED to note and agree the Corporate Risk Register review.

ARMC15/22 INTERNAL AUDIT PLAN 2022-23 PROGRESS REPORT Q1

Members considered the Internal Audit Plan 2022/23 Progress Report Q1 presented by Kathy Woodward, Internal Audit Manager.

Members made comments, asked questions, and received responses as follows:

- Councillor Booth stated that he would like to get a better understanding of the discussions that have taken place for some time with regards to the Executive Summaries. He added that he can see that the report is now in a new format, but questioned whether that is the format that will be used going forward as he does not think it provides enough detail from

his perspective of what the issues are around all the different recommendations and findings. Councillor Booth stated that he would still like an executive summary circulated to members of the committee so that there is an awareness of what the audit findings are. Kathy Woodward explained that is about finding a balance with regards to providing the committee with enough information without providing them with too much operational detail that is being dealt with by the Management Team and it is down to the committee to decide whether they have been provided with enough information or whether they require more detail. Councillor Booth stated that his concern is if the extent of the risk is not quantified, such as the agreement between Lincolnshire and the Cross Keys Marina, what are the potential liability and the quantifiable risk to the Council in relation to the health and safety and port navigation. He stated that similarly with regards to the IR35 Regulations, there is no detail to explain what element of the regulations has not been adequately addressed and the reason why he prefers the Executive Summaries are that they provide quantifiable information so that more thorough discussions can be had by the committee. Kathy Woodward stated that from her perspective she would have issue with placing that level of detail into the public domain and an alternative solution may need to be considered about providing the committee with detail outside of the public report. Councillor Booth stated that if he is to fulfil his role as the critical friend he does not have enough information to say he has the assurance to say everything is in hand which is a key function of the Audit and Risk Management Committee. Kathy Woodward agreed to have further discussions with Peter Catchpole on what information needs to be supplied to the committee in order for them to fulfil their role to the best of their ability.

- Councillor Mrs French asked whether officers had made any progress with regards to the appointment of an Independent Person to sit on the committee? Kathy Woodward stated that there is a potential candidate who has expressed interest in fulfilling the role, however, some further guidance has been requested from CIPFA which is yet to arrive and once it has been reviewed then it can be used to analyse the skills of the committee to create a job description for the role.
- Councillor Booth asked whether the guidance for Conduct Committee could be used in the interim as it has guidance for appointing independent people? Kathy Woodward explained that it is not the process the guidance is required for, it is concerning the job description. She added that a report would need to come back to committee and to Full Council before the recruitment process can start.

Members AGREED to note the activity and performance of the internal audit function.

ARMC16/22 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Members considered the Audit and Risk Management Committee workplan.

Councillor Booth stated that he finds the document helpful so he along with the rest of the committee are aware of what tasks are on the plan in the future.

Members AGREED to note the contents of the Audit and Risk Management Committee work programme.

ARMC17/22 ITEMS OF TOPICAL INTEREST.

Peter Catchpole highlighted to the committee items of topical interest:


- the Council's auditors have written to him and indicated that they are not going to be ready by the 30 September, with it being a statutory requirement that the letter is placed on the Council's website.
- the committee have previously been made aware of the appointment of auditors going forward and the procurement exercise from the Public Sector Auditor Appointments has taken place and a consultation exercise is now underway to decide who the Council's

auditors will be. He added that the interesting fact in the procurement exercise is that the difference between England and Scotland in that England do not have an auditor of last resort and, therefore, the Council is completely dependent on the commercial market for the auditors and the procurement is advising officers that there is the expectation that there will be 150% increase for audit fees going forward. He added that to put that into perspective, if the fees are currently £40,000, the new rate will be £100,000. Peter Catchpole explained that there were only 6 companies who completed the procurement exercise, and they are known companies, with the Council being in a position to announce the new auditors at the December meeting.

- a replacement for Neil Krajewski was still being sought and Kathy Woodward would also be leaving the authority to take on a new promotion to oversee four authorities audit functions. Peter Catchpole asked for it to be placed on record his thanks to Kathy for all her support and advised the committee that the Council will now be looking at the various options of how the internal audit function can be provided going forward. He explained that the committee will all be aware that an external review of internal audit also needs to be undertaken and it is hoped that those two functions can be combined as it is very difficult to do like for like recruitment at the moment.
- Councillor Kim French thanked Kathy Woodward for all the work she has undertaken on behalf of the committee. Councillor Booth thanked Kathy for all the work she has implemented on behalf of the committee and wished her well for the future. Councillor Mrs French reiterated the well wishes and thanked Kathy for all her work she has undertaken.
- Kathy Woodward thanked the members of the committee for their well wishes and she added that she has enjoyed the challenges that she has dealt with, which will help her in her new role.

5.05 pm

Chairman

Agenda Item No:	5	
Committee:	Audit and Risk Management Committee	
Date:	6 February 2023	
Report Title:	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to provide Members with information on the proposed Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2023/24.

2 Key issues

- Note the changes to the revised 2021 Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management and Prudential Codes which are now fully adopted into the Treasury Management Strategy Statement (TMSS), Annual Investment reports and the risk management framework from 2023/24.
- The prudential and treasury indicators detailed in paragraphs 2-13, show that the Council's capital investment plans are affordable, prudent and sustainable.
- The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium-term forecast.
- The Treasury Management Strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows.
- Total external interest payments which includes finance lease interest payments; revised estimate for 2022/23 is £490,150 and the estimate for 2023/24 is £598,300. Additionally if the authority were to borrow the full £20.977m, over the next four years, to fund schemes taken forward as part of the Commercial and Investment Strategy this would currently attract annual interest payments of £709,600 by 2025/26.
- Link Groups forecast for Bank Rate is to continue to increase peaking at around 4.5% in Q2 2023.
- The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2026.
- The aim of the Council's annual investment strategy is to provide security of investments whilst managing risk appropriately; investment returns are commensurate with the Council's historic low risk appetite although we are in the process of transition as a Council from a low risk policy to an appropriate managed risk policy. The Council achieves these objectives through differentiating between "specified" and "non-specified" investments and through the application of a creditworthiness policy.

- The council holds £4m in Property Funds which are long term investments. Although the returns from these investments can be higher than short term investments there is an increased risk that capital values will rise and fall.
- Total investment income from temporary investments is estimated at £570,000 for 2022/23 and £550,000 for 2023/2024. Income from pooled property funds is estimated at £125,000 in 2022/23 and £150,000 in 2023/24.
- The Council's Capital Strategy is currently being updated to take account of the latest developments in respect of the Council's Commercial and Investment Strategy and relevant sector guidance. The final version will be incorporated in the papers which Council considers at its meeting on 20 February 2023.

3 Recommendations

It is recommended that:-

- Audit and Risk Management Committee endorses the strategy detailed in this report to be included in the final budget report for 2023/24.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper (s)	Link Group template Budget working papers

Report:

1 Introduction

CIPFA Treasury Management Code and Prudential Code (Revised 2021)

1.1 CIPFA published the revised codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

1.2 The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address Environmental, Social and Governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

1.3 In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or

forecast debt or treasury investments. The Council's investment in property funds falls into this category.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return. This does not preclude the Council from taking forward investments as part of its Commercial and Investment Strategy so long as financial return is not the primary reason for taking forward the scheme. This particularly applies in the case of projects relating to housing where service delivery objectives can be achieved as well as a financial return.

- 1.4 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report
- 1.5 These changes are now fully adopted within the 2023/24 TMSS report.

2 Background

- 2.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's assessment of its risk appetite, providing adequate liquidity initially before considering investment return.
- 2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

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

- 2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

3 The Capital Strategy Reporting Requirements

- 3.1 The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare an additional document, a Capital Strategy which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed; and
 - the implications for future financial sustainability.
- 3.2 The aim of the Capital Strategy is to ensure that all elected members on full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

4 Treasury Strategy Reporting Requirements

- 4.1 The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by the Audit and Risk Management Committee and Cabinet before being recommended to the Council.
- 4.2 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report is forward looking and covers:
- the capital plans (including prudential indicators);
 - a Minimum Revenue Provision policy (how residual capital expenditure is charged to revenue over time);
 - the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
 - an Investment Strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report - This will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision.

An Annual Treasury Report - This is a backward looking review document and provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

4.3 The Strategy covers two main areas:

Capital issues

- the capital expenditure plans and associated prudential indicators;
- the MRP policy.

Treasury management issues

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

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

4.4 **Training** - The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The training needs of treasury management officers and members are periodically reviewed.

5 Capital Prudential Indicators 2023/24 to 2025/26

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

5.2 The capital expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

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

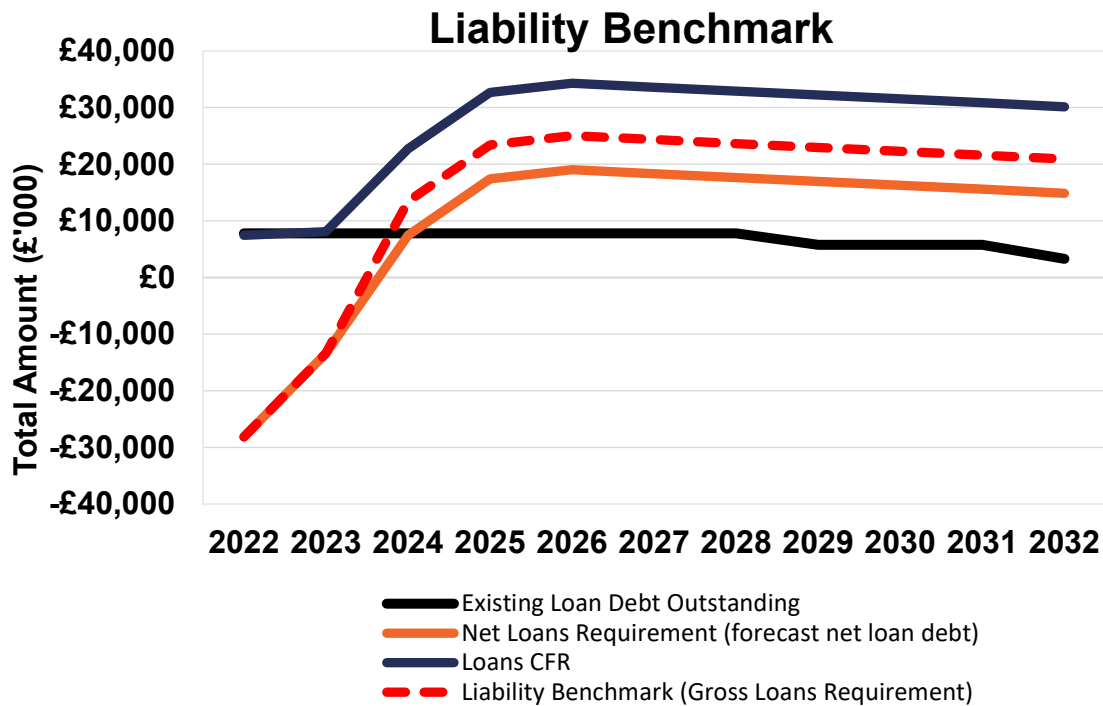
Capital Programme	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Forecast Capital Expenditure	10,516	16,952	2,266	1,550
Commercial and Investment Strategy Schemes	1,000	8,500	9,500	1,977
TOTAL	11,516	25,452	11,766	3,527
Financed by:				
Capital Grants	7,838	9,931	950	950
Capital Receipts	540	250	250	250
Reserves used in year to fund Capital	106	149	0	0
Section 106 and Other Contributions	196	46	0	0
Total Financing	8,680	10,376	1,200	1,200
Net Financing Need For The Year (Borrowing)	2,836	15,076	10,566	2,327

- 5.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, its underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.
- 5.5 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). In the case of schemes taken forward as part of the Council's capital programme this has the effect of reducing the Council's (CFR) broadly over the asset's life.
- 5.6 In the case of capital expenditure incurred in accordance with the Council's Commercial and Investment Strategy the MRP charge cannot be determined until such time that the Investment Board approves a scheme. Where the projected Capital Financing Requirement is disclosed in this report the figures used reflect the impact of borrowing to fund the full allocation of the remaining £20.977M over the next 4 years but no assumptions have been made regarding how MRP might reduce the CFR attributable to these schemes. This approach is considered reasonable until such time that any new schemes are formally approved by the Investment Board. In accordance with the current Minimum Revenue Policy, a provision for MRP in relation to the investment and residential property acquired in previous financial years is incorporated into the information in this report and the Council's Medium Term Financial Strategy.
- 5.7 In this context, it is also important to note that, as well as the statutory MRP charge, the Council is permitted to make additional voluntary payments to reduce the CFR. These voluntary payments will typically reduce the statutory charge that would have been due in future years. Voluntary payments can be funded from capital resources. This is particularly significant in the context of the Council's Commercial and Investment Strategy. As a result of investments undertaken, the Council may receive significant capital receipts and/or repayments of amounts due under the terms of loan agreements with third parties, including the Local Authority Trading Company. These amounts may be received before the maturity date of the external borrowing used to undertake the initial investment. Any assumptions regarding the anticipated use of capital resources to reduce the CFR will be reported as part of future treasury management reporting.

- 5.8 The CFR includes any other long term liabilities (finance leases). A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle) for the lease duration (typically 7 years). The annual lease payment is made up of a capital and interest repayment.
- 5.9 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

Capital Financing Requirement (CFR)	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
CFR – as at 31 March				
Opening CFR	7,456	9,915	24,582	34,499
Movement in CFR	2,459	14,667	9,917	1,635
Closing CFR	9,915	24,582	34,499	36,134
Movement in CFR represented by				
Net financing need for the year	2,836	15,076	10,566	2,327
Less MRP and other Financing Movements	(377)	(409)	(649)	(692)
Movement in CFR	2,459	14,667	9,917	1,635

- 5.10 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The liability benchmark is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs.
- 5.11 The purpose of this prudential indicator is to compare the authority's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the red line).
- 5.12 The liability benchmark below indicates a future borrowing requirement over the life of this strategy.
- 5.13 The timing of actual borrowing arranged may differ from the liability benchmark depending on actual cash balances, the rate at which the capital programme is delivered and actual use of reserves and working capital



6 Minimum Revenue Provision (MRP) Policy Statement

- 6.1 The Council is required to pay off an element of the accumulated general fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).
- 6.2 DLUHC regulations have been issued which require the Council to approve an MRP statement in advance each year. A variety of options are provided to Councils within the guidance. Councils are permitted under the guidance to establish their own approach to setting MRP and different approaches can be applied for different types of assets. The Council's principal responsibility is to ensure that it can demonstrate that whatever approach they adopt across their asset base it is prudent. Given the Council's decision to adopt a Commercial and Investment Strategy it was necessary to revise the MRP policy in 2020/21 to take account of investments which might feasibly be taken forward in accordance with the Commercial and Investment Strategy. The policy applicable for the current financial year onwards is as follows:
- (1) For unsupported borrowing (including finance leases) undertaken to fund the Council's capital programme, excluding any capital expenditure approved by the Council's Investment Board, MRP will be based on the estimated useful life of the assets to be purchased or acquired. Repayments made under the terms of finance leases shall be applied as MRP.
 - (2) For Investment Properties purchased or constructed (following a decision taken by the Council's Investment Board) the MRP charge shall be based on the difference between the value of the asset and the value of any outstanding unsupported borrowing secured to fund the original purchase of the asset. A calculation shall be undertaken at the end of each financial year to identify the difference between the value of the asset and the amount borrowed. Where a difference exists MRP shall be charged over a period commensurate with the period the Council expects to hold the asset as set out in reports presented to the Investment Board.

- (3) For any loans made to third parties, including those made to the Local Authority Trading Company, no MRP shall be charged where the loan requirement requires the third party to make repayments on at least an annual basis over the life of the loan. In the unlikely event of the Council providing a maturity loan to a third party, MRP shall be charged in equal amounts over the life of the loan.
- (4) Should the Council acquire an equity stake in any third party, the MRP charge will be for the lower of twenty years or the scheduled completion date of any projects funded by the third party using the proceeds from selling an equity stake to the Council.
- (5) For investment in Property Funds which the Council, following consultation with its Treasury Advisors, assesses as meeting the definition of capital expenditure MRP shall be charged over the period the Council expects to hold the investment. The period over which MRP can be charged for this type of investment shall not be permitted to exceed 20 years. The property funds referred to elsewhere in this document do not meet the definition of capital expenditure.

6.3 It is important to note that DLUHC are currently consulting on potential changes to the guidance relating to setting the Minimum Revenue Provision. One potential outcome of the consultation is that government could bring forward changes to the regulations

7 The Use of Council's Resources and the Investment Position

7.1 The application of resources (capital receipts, reserves etc) and temporary use of 'surplus cash balances' to both finance capital expenditure and other budget decisions to support the revenue budget reduces cash investment balances held (see below). Unless resources are supplemented with new sources (asset sales, capital grants, etc) then new borrowing will be required to fulfil the objectives as set in the Council's Business Plan. Detailed below are estimates of the year end balances for each resource.

Year End Resources	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Fund balances / reserves	18,000	13,600	13,600	13,600
Expected investments	21,000	15,400	16,000	16,700

8 Affordability Prudential Indicators

8.1 The previous sections cover the overall capital and control of borrowing prudential indicators; also within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.

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

Financing Costs to Net Revenue Stream	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	%	%	%	%
General Fund	5.65	7.73	11.53	12.98
Net Revenue Stream	£15.347m	£15.537m	£16.390m	£16.623m

- 8.3 Net Income from Commercial and Service Investments as % of net revenue stream. This indicator identifies the authority's reliance on income from Commercial and Service Investments such as rents from the Council's long-standing portfolio of non-operational assets managed to secure rental income and income from fees and charges earned from providing facilities for conferences and meetings (economic estates) and one commercial investment property.

Ratio of Income From Commercial and Service Investments to net revenue stream	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	%	%	%	%
General Fund	6.5	6.8	6.4	6.3
Net Revenue Stream	£15.347m	£15.537m	£16.390m	£16.623m

9 Treasury Management Strategy

- 9.1 The capital expenditure plans set out in section 5 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and the Council's capital strategy. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 9.2 The Council's treasury portfolio as at 31 March 2022 for borrowing and investments was £7.906m and £35.9m respectively. As of 31 December 2022, investments are £33.188m (see Appendix A attached) and borrowing £7.895m.
- 9.3 The Council's forward projections for borrowings are summarised below. The next table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt at 1 April	7,800	8,800	23,880	34,450
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	0	6,580	1,070	350
Borrowing to fund Commercial and Investment Strategy Schemes	1,000	8,500	9,500	1,977
Other long term liabilities (OLTL)	106	23	0	0
Expected change in OLTL	(83)	(23)	0	0
Actual gross debt at 31 March	8,823	23,880	34,450	36,777
Capital financing requirement (CFR) at 31 March	9,915	24,582	34,499	36,134
Borrowing less CFR – 31 March	(1,092)	(702)	(49)	643

- 9.4 At 1 April 2022 the Council's Debt position comprised other long-term liabilities relating to finance leases of £106k and external borrowing of £7.8m. These loans were taken out at prevailing market rates between 1994 and 2004. The term of these loans is between 25 and 50 years. Following the transfer of the Council's Housing Stock in 2007, which generated a significant capital receipt for the Council, the Council has retained investment balances which exceed the amounts borrowed. However, changes in prevailing interest rates since the loans were taken out mean that a high premium would be payable by the Council if it were to seek to repay any of the loans early. The premiums to be applied are considered to be prohibitively high for early redemption to be regarded as a reasonable treasury management decision. The Council continues to keep this situation under review with the support of its appointed treasury management advisors. However, for the purposes of this strategy, it has been assumed that external borrowing of £7.8m brought forward, as at 1 April 2022, will continue to be carried forward due to the current historically low interest rates.
- 9.5 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that long term borrowing is not undertaken for revenue or speculative purposes (in the sense of anticipating future upward movements in interest rates), other than where the borrowing fits in with the Council's approved Investment Strategy.
- 9.6 The Council notes that the Prudential Code published by CIPFA prohibits local authorities from borrowing in advance of need. This prohibition has been recently re-affirmed by DLUHC in its Statutory Guidance on Local Authority Investments which states that this prohibition extends to undertaking borrowing to fund the purchase of financial and non-

financial investments, including investment properties. This is on the basis that in such circumstances local authorities would be borrowing 'purely in order to profit from investment of the extra sums borrowed'. Section 4 of the Council's Capital Strategy explains how the Council has had regard for this guidance and notes the Council's approach to determining whether the motivation behind any proposed investment is purely to profit from investment of any sums borrowed.

- 9.7 Interest repayments associated with the external debt (including finance leases) above are shown below. The figures in the third column reflect the interest which would fall due if the Investment Board were to approve schemes totalling the full allocation of £20.977M and borrowing was undertaken over 4 years (see table 9.3 above) funded by a maturity loan at today's rate.

YEARS	INTEREST DUE (EXISTING CAPITAL SCHEMES) £000	INTEREST DUE (FUNDING OF COMMERCIAL AND INVESTMENT STRATEGY) £000	TOTAL £000
2022/23	486,400	3,750	490,150
2023/24	598,300	193,750	792,050
2024/25	732,040	508,750	1,240,790
2025/26	756,820	709,600	1,466,420

- 9.8 The operational boundary 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.

Operational Boundary	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt	7,800	14,500	15,500	16,000
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non Financial Investments	20,977	20,977	20,977	20,977
Total	29,777	36,477	37,477	37,977

- 9.9 The authorised limit is a key prudential indicator, which represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.
- 9.10 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

Authorised Limit	2022/23 Revised Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt	12,800	19,500	20,500	21,000
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non Financial Investments	20,977	20,977	20,977	20,977
Total	34,777	41,477	42,477	42,977

10 Prospects for Interest Rates

- 10.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Assets Service's central view.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave eamings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave eamings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

- 10.2 Links central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.5% currently but is expected to reach a peak of 4.5% in Q2, 2023.
- 10.3 Further down the road, Link anticipate that the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- 10.4 The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market
- 10.5 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.
- 10.6 PWLB Rates - The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%. Link view is that markets have built in, already, nearly all the effects of gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.
- 10.7 Borrowing advice – Links long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, better value can generally be obtained at the shorter end of the curve and short-dated fixed borrowing should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

- 10.8 Investment returns are expected to improve in early 2023. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations
- 10.9 The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- 10.10 While this authority will not be able to avoid borrowing to finance new capital expenditure and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

11 Borrowing Strategy

- 11.1 As noted above in paragraph 9.5 the Council recognises that statutory guidance indicates that whilst the Council has the necessary powers to borrow in advance of need the government and CIPFA state it should refrain from doing so where such borrowing takes place purely in order to profit from investment of the extra sums borrowed. None of the Council's current borrowing was undertaken in advance of need.
- 11.2 The Council is currently forecasting an under-borrowed position, where the CFR balance is greater than gross debt over part of the strategy.
- 11.3 Where the Council has insufficient internal resources to funds its capital programme the difference between available resources and funds required is met through borrowing. The Council is able to borrow internally if it identifies that it has surplus funds currently held in investments which could be used to finance its capital programme. However, any decision to borrow internally has to consider when any funds borrowed might be required to support the day-to-day cash needs of the Council. Unless the Council is able to increase the surplus funds it has available, i.e. through generating surpluses on the revenue account, internal borrowing will only provide a temporary solution to funding the capital programme
- 11.4 When the Council borrows externally it will ordinarily do so using funds borrowed from the Public Works Loan Board, though this does not preclude the Council considering other sources of lending.
- 11.5 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2026. Assumptions about the level of external interest payable are reflected as part of the prudential indicators included in this document. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through either the mid-year or annual treasury management reports.
- 11.6 Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2023/24	Lower %	Upper %
Under 12 months	0	40
12 months to 2 years	0	50
2 years to 5 years	0	75
5 years to 10 years	0	75
10 years and above	0	100

Maturity structure of variable interest rate borrowing 2023/24	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

12 Debt Rescheduling / Repayment

- 12.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates,
- 12.2 If rescheduling was done, it will be reported to the Cabinet at the earliest meeting following its action.

13 Annual Investment Strategy - management of risk

- 13.1 The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).
- 13.2 The Council’s investment policy has regard to the following:-
- DLUHC’s Guidance on Local Government Investments (“the Guidance”);
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”); and
 - CIPFA Treasury Management Guidance Notes 2021.
- 13.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite
- 13.4 The above guidance from the DLUHC and CIPFA, place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means.
- 13.5 Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings
- 13.6 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- 13.7 Investment instruments identified for use in the financial year are listed below under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

- 13.8 **Specified Investments** - These investments are sterling investments (meeting the minimum 'high' quality criteria where applicable) of not more than one year maturity, or those which could be for a longer period but where the Council has the right to repay within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Investment instruments identified for use in the financial year are as follows:
- term deposits with part nationalised banks and local authorities;
 - term deposits with high credit criteria deposit takers (banks and building societies);
 - callable deposits with part nationalised banks and local authorities;
 - callable deposits with high credit criteria deposit takers (banks and building societies);
 - money market funds (CNAV) / (LVNAV) / (VNAV);
 - Debt Management Agency Deposit Facility (DMADF); and
 - UK Government gilts, custodial arrangement required prior to purchase.
- 13.9 **Non-Specified Investments** - These are any other type of investment (i.e. not defined as specified above). Investment instruments identified in both "specified" and "non-specified" categories are differentiated by maturity date and classed as non-specified when the investment period and right to be repaid exceeds one year. Non-specified investments are more complex instruments which require greater consideration by members and officers before being authorised for use. Investment instruments identified for use in the financial year are as follows:
- term deposits with high credit criteria deposit takers (banks and building societies);
 - term deposits with part nationalised banks and local authorities;
 - callable deposits with part nationalised banks and local authorities;
 - callable deposits with high credit criteria deposit takers (banks and building societies);
 - Debt Management Agency Deposit Facility (DMADF);
 - UK Government gilts, custodial arrangement required prior to purchase; and
 - Property funds.
- 13.10 As a result of the change in accounting standards first introduced in 2018/19 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the former Ministry of Housing, Communities and Local Government, now the DLUHC, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.
- 13.11 DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override from 11 August 2022 to 7 October 2022. The aim of this consultation was to collect the views of Authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of Practice on Local Authority Accounting. The responses to the consultation have now been considered and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025. DLUHC will publish the Government's full response to the consultation early 2023.
- 13.12 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Greater returns are usually obtainable by investing for longer periods. Short term cash flow requirements (up to 12 months) include payments such as, precepts, business rate retention, housing benefits, salaries, suppliers, interest payments on debt etc.

13.13 The current forecast shown in paragraph 10.1, includes for bank rate to continue to increase peaking at around 4.5% in Q2 2023.

13.14 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%

13.15 Estimated investment income is £570,000 for 2022/23 and £550,000 in 2023/24. These estimates assume that none of the existing cash balances held by the Authority will be utilised to fund schemes approved by the Investment Board.

13.16 £4m of the Council's investments are held in externally managed pooled property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

13.17 As the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Although the returns from these investments can be higher than short term investments there is an increased risk that capital values will rise and fall. The 2022/23 projected outturn for property fund income is £125,000 and the estimate for 2023/24 is £150,000.

13.18 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.20

	2023/24 £000	2024/25 £000	2025/26 £000
Maximum principal sums invested > 365 days	10,000	10,000	10,000

13.19 For its cash flow generated balances, the Council will seek to utilise its call accounts and short dated deposits (overnight to 180 days) in order to benefit from the compounding interest.

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

14 Creditworthiness Policy

- 14.1 The Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- "watches" and "outlooks" from credit rating agencies;
 - Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 14.2 This modelling approach combines credit ratings, Watches and Outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
- yellow 5 years;
 - dark pink 5 years for ultra-short dated bond funds with a credit score of 1.25;
 - light pink 5 years for ultra-short dated bonds funds with a credit score of 1.5;
 - purple 2 years;
 - blue 1 year (only applies to nationalised or semi nationalised UK banks);
 - orange 1 year;
 - red 6 months;
 - green 100 days
 - no colour not to be used.
- 14.3 The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.
- 14.4 Typically, the minimum credit ratings criteria the Council will use will be short term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use
- 14.5 The Council's own bank currently meets the creditworthiness policy. However, should they fall below Link Group creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.
- 14.6 All credit ratings are monitored weekly and prior to any new investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx European Financials benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

- 14.7 Sole reliance will not be placed on the use of Link Group Creditworthiness policy. In addition, this Council will also use market data and market information, information on any external support for banks to justify its decision making process.
- 14.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council's Treasury Management Practices – schedules.
- 14.9 In relation to financial institutions, the Council currently only invests in UK banks and building societies, which provides sufficient high credit quality counterparties to meet investment objectives. It should be noted that in some cases these banks are subsidiaries of foreign banks but these are of the highest credit quality.

15 External Service Providers

- 15.1 The Council uses Link Group as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to available information, including, but not solely, our treasury advisors.
- 15.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 15.3 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The Council will engage specialist advisers for commercial-type investments.

APPENDIX A

INVESTMENTS AS AT 31/12/2022

BORROWER	AMOUNT £000	START DATE	MATURITY DATE	PERIOD IN DAYS	CURRENT INTEREST RATE %
Short Term Investments					
Barclays Bank*	5,150	16/06/14		Flexible Interest	3.25
Santander UK	5,000	15/12/15		180 Day Notice A/C	2.86
Lloyds Bank	50	16/12/19		32 Day Notice A/C	1.40
Nationwide Building Society	1,000	15/07/22	13/01/23	182	1.96
Coventry Building Society	3,000	10/08/22	10/02/23	184	2.13
Nationwide Building Society	2,000	15/09/22	15/03/23	181	2.82
Lloyds Bank	3,000	21/10/22	23/01/23	94	2.75
Leeds Building Society	3,500	15/11/22	23/02/23	100	3.05
Nationwide Building Society	2,000	23/11/22	23/02/23	92	3.05
Yorkshire Building Society	4,000	01/12/22	19/01/23	49	3.05
Yorkshire Building Society	1,000	12/12/22	20/03/23	98	3.46
Total Short Term Investments	29,700				
Long Term Investments					
Property Funds (valuation at 31.12.22)	3,488	28th & 31/03/2022	N/A	N/A	3.125
Total Investments at 31/12/2022	33,188				

* Barclays Bank Call Account is operated on the basis of meeting more immediate/very short term needs of the Council eg. payment of salaries, suppliers, benefits etc. Therefore a level of balance is maintained dependent on the immediate and very short-term requirements of the Council.

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Agenda Item No:	6	
Committee:	Audit and Risk Management Committee	
Date:	6th February 2023	
Report Title:	Corporate Risk Register Review	

1 Purpose / Summary

- 1.1 To provide an update to the Audit and Risk Management Committee on the Council's Corporate Risk Register.

2 Key Issues

- 2.1 The Council's Risk Management Strategy ensures the effective maintenance of a risk management framework by:-
- embedding risk management across core management functions;
 - providing tools to identify and respond to internal and external risk;
 - linking risks to objectives within services and regularly reviewing these.
- 2.2 The Audit and Risk Management Committee has asked that the Council's Corporate Risk Register is reviewed and presented to it quarterly.
- 2.3 The latest Corporate Risk Register (**Appendix A**) is attached to this report.

3 Recommendations

- 3.1 The latest Corporate Risk Register is agreed as attached at Appendix A to this report.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden – Leader and Portfolio Holder for Corporate Governance
Report Originator(s)	Stephen Beacher – Head of ICT, Digital & Resilience
Contact Officer(s)	Paul Medd – Chief Executive Peter Catchpole –Corporate Director & Chief Finance Officer Stephen Beacher – Head of ICT, Digital & Resilience
Background Paper(s)	Previous reviews of the Corporate Risk Register: minutes of Audit and Risk Management Committee

1 Background / Introduction

1.1 This is the latest quarterly update in respect of the Corporate Risk register.

2 Considerations

2.1 The Council has seven considerations when considering risk:-

- Performance – can we still achieve our objectives?
- Service delivery – will this be disrupted and how do we ensure it continues?
- Injury – how do we avoid injuries and harm?
- Reputation - how is the Council's reputation protected?
- Environment – how do we avoid and minimise damage to it?
- Financial – how do we avoid losing money?
- Legal – how do we reduce the risk of litigation?

2.2 Members and Officers share responsibility for managing risk:-

- Members - have regard for risk in making decisions
- Audit and Risk Management Committee – oversee management of risk
- Corporate Management Team – maintain strategic risk management framework
- Risk Management Group – Lead Officers across the Council promote risk management and a consistent approach to it
- Managers – identify and mitigate new risks, ensure teams manage risk
- All staff – manage risk in their jobs and work safely.

2.3 Risk is scored by impact and likelihood. Each have a score of 1-5 reflecting severity. The overall score then generates a risk score if no action is taken, together with a residual risk score after mitigating action is taken to reduce risk to an acceptable level.

2.4 The level of risk the Council deems acceptable is the “risk appetite”. The Council accepts a “medium risk appetite” in that it accepts some risks are inevitable and acceptable whereas others may not be acceptable.

2.5 Managers consider risks as part of the annual service planning process. Each service has a risk register with the highest risks being reported at a strategic level, forming the Corporate Risk Register. The Corporate Management Team, supported by the Risk Management Group, ensures that the highest risks are regularly reviewed, and mitigating action undertaken.

2.6 The Corporate Risk Register is very much a “living document”; the Audit and Risk Management Committee reviews it quarterly.

2.7 Where exceptional new risks present themselves they can be referred to Audit and Risk Management Committee urgently as appropriate.

- 2.8 Risk appetite has been considered. The Council takes a medium risk appetite, accepting that the current climate in Local Government is subject to great change and that some risks are necessary for the Council to move forward and continue to deliver high quality, cost-effective services.

As a result of this, in some instances it is not possible to significantly reduce residual risk. Having said this, some decisions may need to be made in a timely manner and this could increase risk appetite accordingly. The Council's overall risk appetite should be reviewed regularly.

- 2.9 Risk awareness is embedded across the Council, and it is important that risk awareness and management is integral to the Council's culture. To achieve this, risk awareness and training are important.
- 2.10 It is important that Members have regard for risk when considering matters and making decisions at Council, Cabinet and Committees. In addition, Audit and Risk Management Committee must take a strategic overview of risk and consider the highest risks to the Council as set out in the Corporate Risk Register.

3 Changes to the Corporate Risk Register

- 3.1 The Risk Register has been reviewed by the Corporate Risk Management Group and Corporate Management Team, with all recommended changes highlighted in green. Additional actions taken to mitigate the impact of the Covid-19 pandemic situation have been incorporated into the Risk Register.
- 3.2 Mitigating actions and progress have been updated.
- 3.3 Commentary regarding all risks and action being taken to ensure current risks are minimised has been updated in the Risk Register.
- 3.4 All updates are highlighted in green.
- 3.5 The register also includes some narrative around the Risk Management Process (at section 2); the Monitoring and Escalation Framework (at section 4); the Risk Appetite and tolerance levels; and a heat map showing all the residual risks at page 28.

4 Next Steps

- 4.1 Officers will continue to bring a reviewed and updated Corporate Risk Register to Audit and Risk Management Committee on a regular basis.

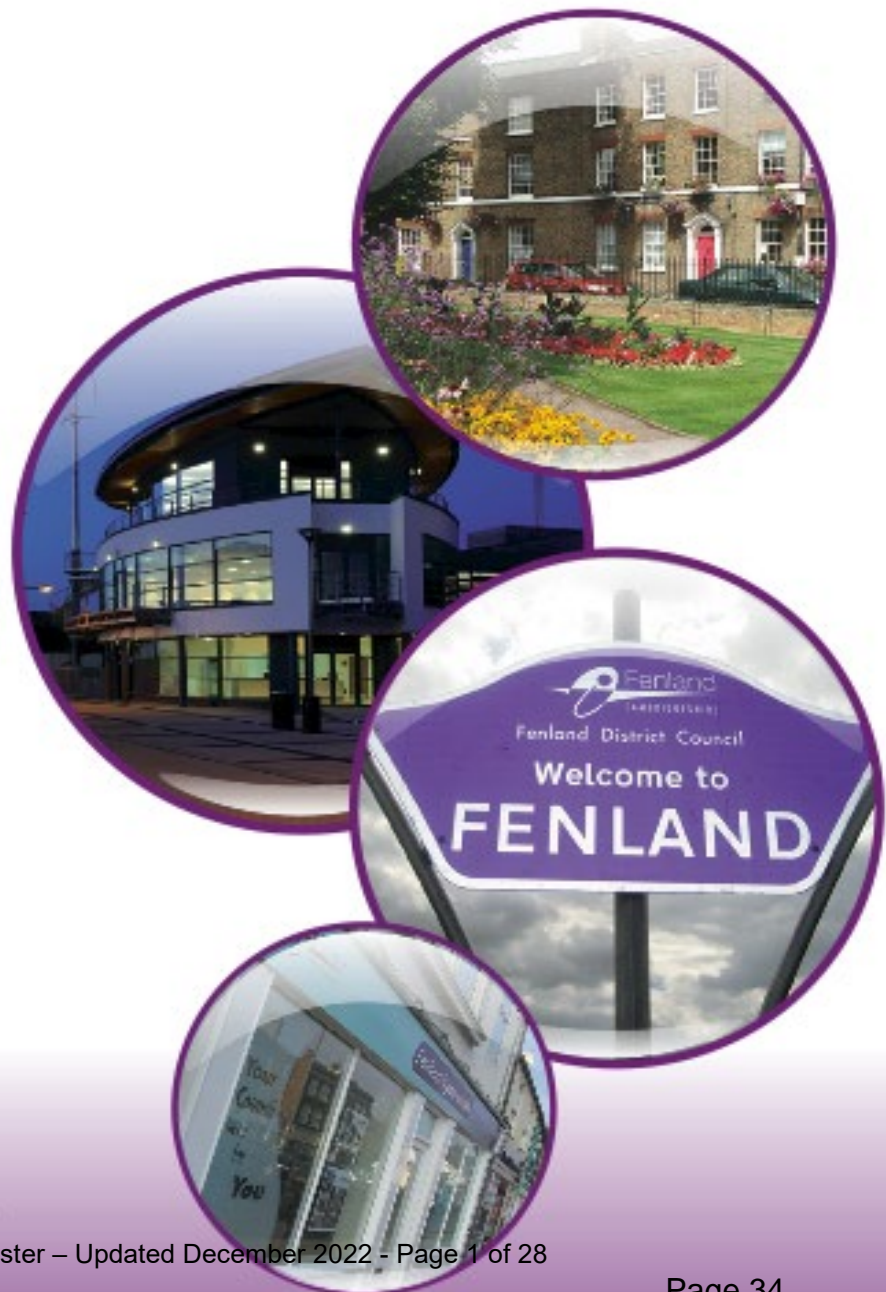
5 Conclusions

- 5.1 The risk management process provides assurance for the Annual Governance Statement, which is substantiated by reports from the Council's External Auditors in their issuance of an unqualified audit opinion.
- 5.2 Regular review (and updating as appropriate) of the Risk Management Strategy and Corporate Risk Register will further build the assurance required above.

APPENDIX A

Corporate Risk Register

Reviewed and updated January 2023



1 Introduction

- 1.1 This is the latest Corporate Risk Register. Please refer to the Council's Corporate Risk Strategy for further information about how the Council approaches risk management. Actions and comments for each risk have been revised and other changes are highlighted in green.

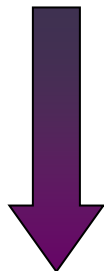
2 Risk Management Process

- 2.1 Risk Management is designed to identify what could affect the achievement of objectives, and to plan a proportionate response.
- 2.2 The Council's approach to Risk Management is documented within the Risk Management Framework. It aims to ensure that risks are identified for both strategic and operational activity. This includes:
- corporate and service priorities;
 - project management;
 - decision-making and policy setting; and
 - financial and performance monitoring and planning.
- 2.3 The Risk Management Framework provides tools to manage risks for the different types of system and control environment; such as the Corporate Risk Register to capture and summarise significant and strategic risks; team risk registers which help inform service planning and actions; risk and hazard identification documents are shared with management as appropriate during audit reviews; and health and safety risk assessments which are updated annually by teams.
- 2.4 The frequency and mechanism for monitoring risks reflects the type of monitoring system, and the pace of changing circumstances, for example:
- Project risks will be recorded in project risk registers, and are reviewed frequently throughout the projects life.
 - Operational risks are identified through audit and inspection work, and are assigned dates and ownership.
 - Operational risks are identified through service planning and are linked to the service plan actions. These are typically monitored monthly through team meetings as part of the Councils Performance Management framework.
- 2.5 The Annual Governance Statement records governance actions, which are reviewed biannually as good practice. The Corporate Risk Register comprises strategic and significant risks. The register can both inform and reflect risks recorded in other risk management systems. It may refer to more detailed analysis of risks, presented to committees, such as the Medium Term Financial Strategy. Appropriately, mitigation may be linked to specific actions recorded and monitored through service plans, or committee forward plans.
- 2.6 Risks are categorised, and scored according to their impact and likelihood. This activity allows managers, to prioritise resources to mitigate them. Strategic and significant risks are defined by the Councils risk appetite.
- 2.7 The outcomes of this process are reported to the Audit and Risk Management Committee at least twice each year in the form of the attached Corporate Risk Register.
- 2.8 The review of the Risk Management Framework, Policy and Strategy, will be reported to the Audit and Risk Management Committee at least annually. The Risk Management process, and register, will provide assurance for the Annual Governance Statement.

3. How Risks Are Scored

- 3.1 The Council has adopted a consistent scoring mechanism for all risk identification, as it enables risks identified from other systems to be escalated to the Corporate Risk Register.
- 3.2 The probability - “likelihood”, and effect - “impact”, of each risk must be identified in order to help assess the significance of the risk and the subsequent effort put into managing it.
- 3.3 The risk score is calculated by multiplying the impact score by the likelihood score:

IMPACT	
Score	Classification
1	Insignificant
2	Minor
3	Moderate
4	Major
5	Catastrophic



LIKELIHOOD	
Score	Classification
1	Highly unlikely
2	Unlikely
3	Possible
4	Probable
5	Very likely

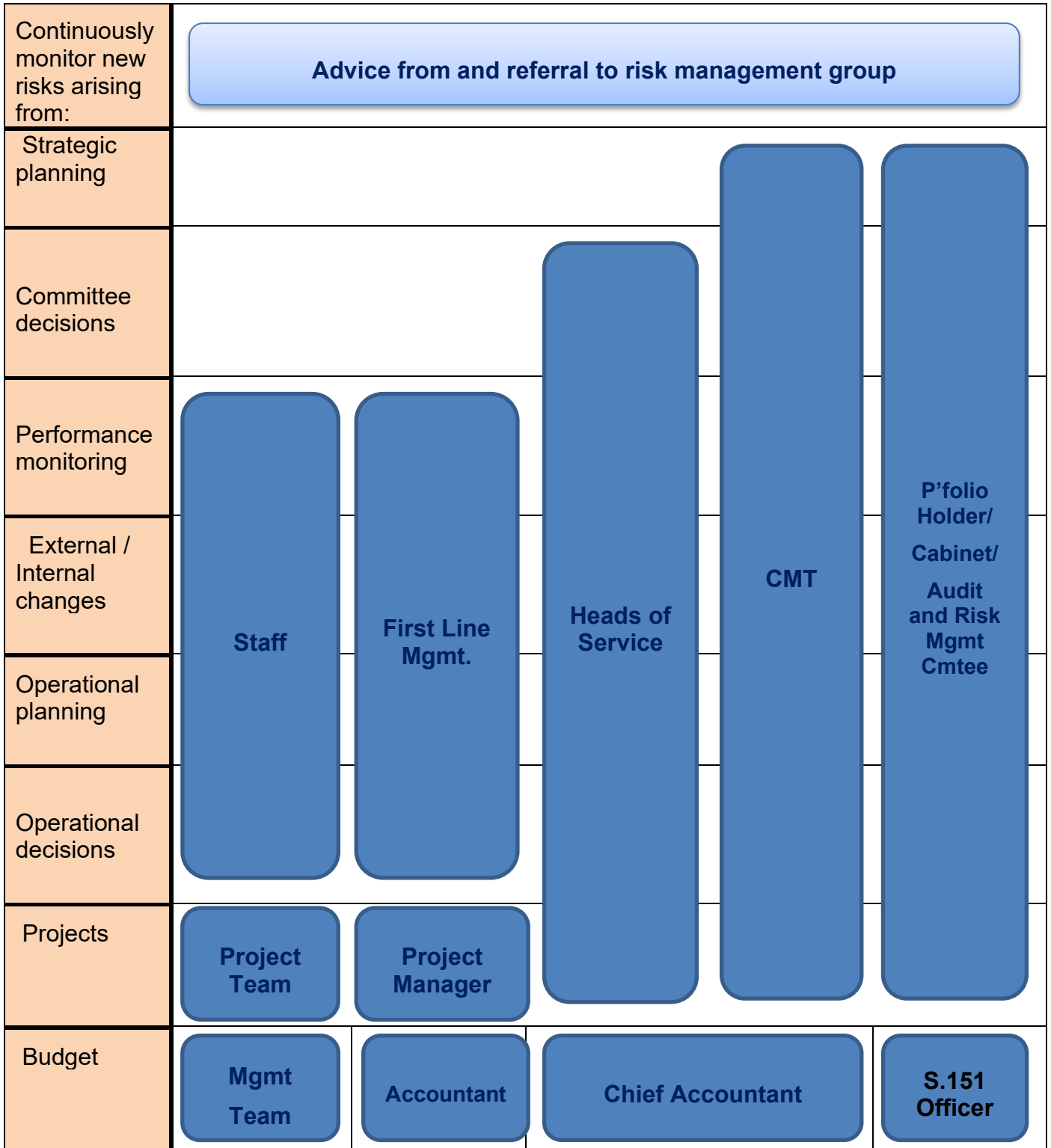
IMPACT x LIKELIHOOD = RISK SCORE

3.4 The impact and likelihood of risks is scored with regards the below levels:-

Score	1	2	3	4	5
Criteria	Insignificant impact	Minor impact	Moderate Impact	Major Impact	Catastrophic Impact
Performance	Objectives still achieved with minimum extra cost or inconvenience	Partial achievement of objectives with compensating action taken or reallocation of resources.	Additional costs required and or time delays to achieve objectives – adverse impact on PIs and targets.	Unable to achieve corporate objectives or statutory obligations resulting in significant visible impact on service provision such as closure of facilities.	Unable to achieve corporate objectives and/or corporate obligations.
Service Delivery	Insignificant disruption on internal business – no loss of customer service.	Some disruption on internal business only – no loss of customer service.	Noticeable disruption affecting customers. Loss of service up to 48 hours.	Major disruption affecting customers. Loss of service for more than 48 hours.	Loss of service delivery for more than seven days.
Physical	No injury/claims.	Minor injury/claims (first aid treatment).	Violence or threat or serious injury/claims (medical treatment required).	Extensive multiple injuries/claims.	Loss of life.
Reputation	No reputational damage.	Minimal coverage in local media.	Sustained coverage in local media.	Coverage in national media.	Extensive coverage in National Media.
Environmental	Insignificant environmental damage.	Minor damage to local environmental.	Moderate local environmental damage.	Major damage to local environment.	Significant environmental damage attracting national and or international concern.
Financial	Financial loss < £200,000	Financial loss >£200,000 <£600,000	Financial loss >£600,000 <£1,000,000	Financial loss >£1,000,000 <£4,000,000	Financial loss >£4,000,000
Legal	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges

4. Monitoring and Escalation Framework

4.1 The following diagram illustrates the key stakeholders for different classification of risk management:



5.0 Risk Appetite and Tolerance Levels

- 5.1 Risk appetite and tolerance is the amount of risk an organisation is prepared to accept, or be exposed to at any point in time. It can indicate where action is required to reduce risk to an acceptable level, plus opportunities for positive outcomes which can be monitored.
- 5.2 The Council has adopted the approach and definitions used by CIPFA and the Institute of Risk Management:

Risk Appetite

“The amount of risk an organisation is willing to seek or accept in the pursuit of its long-term objectives”.

An example may be consideration of the funds or resources that an organisation is prepared to invest in a venture where success is not guaranteed but that would yield benefits.

Risk Tolerance

“The boundaries of risk taking outside which the organisation is not prepared to venture in the pursuit of its long-term objectives”.

An example may be a Treasury Management Strategy that rules out certain types of investment options.

- 5.3 Typically an individual’s perception of an acceptable risk is the same irrespective of which definition is used. Differences may occur where risks cannot be controlled or completely eliminated. For example political and legislative change is an external driver which cannot be fully mitigated. In this instance the risk tolerance, and ability to manage the risk, may be greater than risk appetite.
- 5.4 It is recognised that the tolerance or appetite is subjective, and may change according to the environment, internal and external drivers. Consequently it is important, regardless of the terms used, that everyone has a consistent approach to risk taking to prioritise resources effectively.
- 5.5 The Councils risk appetite is set by the Corporate Management Team (CMT) and is reviewed periodically. This provides guidance to everyone on acceptable levels of risk taking, to encourage a consistent approach to risk management.
- 5.6 Different risk appetites can be illustrated on a five by five matrix as three levels: high, medium and low. The Council is risk aware and the current level is determined by CMT as medium. This provides guidance that any inherent risk scored at 15 or greater is to be considered for the Corporate Risk Register.
- 5.7 Once controls are in operation the risks can be scored again to illustrate the residual risk.

6. The Corporate Risk Register at a Glance

6.1 Please see below for a summary of current risks and their scores. More detail follows in section 7 of this document, in which the individual risks are ordered by severity of current risk, in descending order.

Ref	Risk	Risk if no action			Current risk			Page in this register
		Impact	Likelihood	Score	Impact	Likelihood	Score	
8	Funding changes make Council unsustainable	5	5	25	4	5	20	8
3	Failure of contractors and suppliers working on the Council's behalf	4	4	16	4	4	16	9
9	The Council's ability to cope with a natural disaster	5	4	20	4	4	16	10
4	Failure of IT systems	5	5	25	4	3	12	11
5	Insufficient staff to provide Council services	4	5	20	3	4	12	12
6	Breach of ICT security causes loss of service	5	5	25	4	3	12	13
16	Service provision affected by organisational change	4	5	20	3	4	12	14
17	Political changes in national priorities	5	4	20	3	4	12	15
18	Capital funding strategy failure	5	5	25	3	4	12	16
1	Legislative changes	5	5	25	2	5	10	17
10	Major health and safety incident	4	4	16	3	3	9	18
11	Fraud and error committed against the Council	5	4	20	3	3	9	19
13	Failure of Governance in major partners or in the Council as a result of partnership working	4	5	20	3	3	9	20
14	Failure to achieve required savings targets	4	5	20	3	3	9	21
19	Poor communications with stakeholders	4	5	20	3	3	9	22
20	Failure of the Council's Commercialisation and Investment Strategy	5	4	20	3	3	9	23
7	Lack of access to Council premises prevents services being delivered	4	5	20	2	4	8	24
12	Failure of external investment institutions	5	4	20	2	4	8	25
21	The Council's failure to deal with Covid and/or a pandemic situation	5	5	25	2	4	8	26
15	Over-run of major Council projects in time or cost	4	5	20	3	2	6	27

7 Corporate Risk Register

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
8	<p>Risk: - Funding changes make Council unsustainable</p> <p>The current impact of inflation and how this may present additional pressures to the Council's overall finances</p> <p>Effects: - Economic changes, imposed savings requirements, changes to local government funding systems.</p> <p>Financial management of NNDR, CTS leads to change in income /spending making Council unsustainable.</p>	5	5	25	<ul style="list-style-type: none"> • S151/ Chief Finance Officer • Financial Regulations & Standing Orders • Appropriately trained staff • MTFS • Professional economic forecasts • Community consultation on service priorities • Our Council for the Future programme • Political decisions linked to budget strategies • CMT efficiency planning • Modernising Council Services transformation programme • Introduction of Transformation Agenda 2 (TA2) • Executive steer of service /capital priorities. • Review fees /changes. • Reserves • Financial Mgmt System • Budget monitoring. 	4	5	20	<p>Peter Catchpole</p> <p>MS/NK</p>	<ul style="list-style-type: none"> • Using intelligence to model and plan for future changes and risks and move away from reliance on Govt funding to balance our budget. • Regular monitoring of current position and reporting to Members. • Workforce planning covers all scenarios. • Inclusion in national working groups, modelling and lobbying for funding system after RSG ceases. • Sharing Council's Efficiency Plan with the Government allows guaranteed multi-year grant settlement raising funding certainty. • Shared services and partnership working • Pursuing all opportunities for external funding • Commercial and Investment Strategy 	<p>We closely monitor information received from government and relevant interest groups and sector representatives regarding anticipated changes in the financing of local government. Our Medium-Term Financial Plan articulates the key risks to the Council arising from potential changes in the current arrangements. The MTFP forecasts the gap between the cost of delivering Council services and the resources available, including any planned use of Council reserves.</p> <p>The Fair Funding Review and Business rate Retention Scheme are still delayed. Some potential for this to impact on the Council's long-term financial position remains particularly if changes are made to the underlying formulas which determine how central government funding is allocated to local authorities.</p> <p>The Council has an agreed Commercialisation and Investment Strategy which will enable the Council to generate additional income. This provides a framework to determine which investment opportunities can be taken forward. Some income-generating investments have been made. However, the challenging economic outlook, particularly in respect of inflation and rising financing costs, is likely to reduce, at least in the short-term, the commercial viability of some planned investments.</p> <p>Each service is required to review and identify any opportunities for transformation, commercialisation and efficiency. The Council has now delivered Phase 2 of the 'Modernising Council Services' programme which is on target to deliver significant savings over the Council's current MTFP period. We have now started delivering the next phase of this transformation programme.</p> <p>Government provided financial support to local authorities which offset the impact of additional costs and reductions in income experienced as a consequence of the pandemic. It is unclear to what extent government will be able and willing to provide the same level of financial support in response to the current economic challenges.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
3	<p>Risk: - Failure of contractors and suppliers working on the Council's behalf, including the impact of the Pandemic</p> <p>Effects: - Failure of contractor or partners to deliver services or meet agreed performance objectives leads to additional costs or failed objectives.</p>	4	4	16	<ul style="list-style-type: none"> • Procurement processes – including financial aspects/ contract standing orders/ equality standards • Contract process – creation of robust contracts • Accountability and risk ownership documented • Service Level Agreements • Contract monitoring • Trained/skilled staff • Project management • Relationship Management • Business Continuity Plans 	4	4	16	<p>CMT</p> <p>All Mgrs</p>	<ul style="list-style-type: none"> • Regular monitoring of contracts and performance by Managers. • Ensure that contracts have risk registers and mitigation in event of contract failure. • Ensure all contractors have reviewed and refreshed their business continuity arrangements and plans in light of the pandemic • Individual Council services share their own contingency to cover for contractor failure, and this is part of the Business Continuity Plan for each Service Area. • Potential contractors and suppliers are always checked for financial stability and business continuity by the Accountancy/ Procurement teams before contracts are let. 	<p>FDC's Contract Manager manages/monitors the performance of the Tivoli Grounds Maintenance contract and the Freedom Leisure contract.</p> <p>All other shared services/contracts have a full review and governance process in place to ensure ongoing delivery and performance standards.</p> <p>The Leisure service contract includes the requirement for contingency in case of service failure.</p> <p>The cost of living and energy crises form a significant challenge to the leisure business. Freedom Leisure and FDC are monitoring the situation closely and are working together to mitigate impact on the services provided to the local community in Fenland. Note Cabinet decision of November 2022.</p> <p>FDC and Freedom continue to look to the future to mitigate ongoing excess energy costs in to 2023, and mitigation possible to reduce any financial impact on both partners.</p> <p>Refresher training on procurement to be delivered to all awarding managers</p> <p>Process of due diligence checks to be implemented for all relevant contracts and/or suppliers</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
9	<p>Risk:- The Council's ability to cope with a natural disaster or any emergency event</p> <p>Effects:- Natural disaster; malicious or accidental incident affects support required by civilians or disrupts existing Council services.</p> <p>Failure to maintain robust emergency planning</p>	5	4	20	<ul style="list-style-type: none"> •Emergency plan •Emergency planning exercises beyond the district •Business continuity plans •Regular exercise and joint public sector workshops for Emergency Planning •Emergency Planning Communication s Strategy •Review of approach with partner organisations as a result of lessons learned from 'near-miss' flood events. •Local Resilience Forum 	4	4	16	CMT SB/DV	<ul style="list-style-type: none"> • Regularly test Emergency Plan • Test Service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Ongoing management response group and regular conference call and action planning 	<p>Management Team conduct periodical exercise to test the Council's readiness for an emergency.</p> <p>The Council's Emergency Management and Rest Centre Plans have been updated. We have increased and trained the number of volunteer rest centre staff available.</p> <p>The Council will retain the use of each of the four Leisure Centres for rest centre sites.</p> <p>The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of an emergency. The Council's response to any emergency situation will complement and support the coordinated CPLRF and Public Sector response to any such incident.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
4	<p>Risk: - Failure of IT systems</p> <p>Effects: - Failure to secure and manage data leads to loss of/ corruption of / inaccuracy of data, results in disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.</p>	5	5	25	<ul style="list-style-type: none"> • Data protection policy and procedure • Freedom of Information publication scheme • Data retention policy and procedure for archive and disposal • Information breach response plan • Monitoring Officer role comprises Senior Information Risk Officer function • Business continuity plans • ICT system security • Public Services Network compliance • Paperless office project • Countywide information sharing framework 	4	3	12	<p>Carol Pilson / Peter Catchpole</p> <p>SB/AB</p>	<ul style="list-style-type: none"> • Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Regular review of business continuity plans • Disaster Recovery testing is undertaken at regular intervals • Additional ICT resource has been recruited 	<p>An additional internet feed to Fenland Hall has been installed to improve resilience.</p> <p>The likelihood score reflects the increase globally of cyber crime</p> <p>The Council's internet and email protocols have been updated.</p> <p>All Council employees are undertaking Cyber security training</p> <p>Further resilience has been built into the remote access infrastructure.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
5	<p>Risk:- Insufficient staff to provide Council services</p> <p>Increased competition from other regional and national employers from the same workforce pool.</p> <p>Insufficient leadership and/or management capacity to deliver Council priorities</p> <p>Effects:- Constraints to effective workforce planning lead to poor standards of service or disruption to service. Service transformation and commissioning can help build resilience but could also lead to a loss of qualified and knowledgeable staff, which exposes the council to risk of service failure and legal challenge.</p>	4	5	20	<ul style="list-style-type: none"> • Learning & Development framework / Training • Working environment /culture • Staff Committee • MTSP • Flexible working • Established suite of people policies & Procedures • Business continuity plans • Management training • 121s /Springboard staff development and appraisals • Service planning process • Access to interim staff via frameworks • Effective sickness management • Effective Governance structures 	3	4	12	<p>CMT</p> <p>SA/All Mgrs</p>	<ul style="list-style-type: none"> • Ensure all services have effective Workforce plans incorporated into Service Plans, which ensure all work is prioritised • Effective succession planning. • Effective use of project management approaches/ principles when delivering priorities/ strategies 	<p>All services have published service plans, learning requirements and workforce plans to ensure teams are staffed according to current establishment and to take account of priorities and longer-term trends.</p> <p>All service Business Continuity Plans have been updated in light of the Covid-19 pandemic to ensure that key, priority and statutory services can be maintained in the event of a significant loss of staff through illness or absence.</p> <p>Almost all office-based staff have the necessary equipment to be able to work from home, which will maintain the delivery of a significant number of Council services. Other key/priority services have individual Business Continuity measures in place to maintain service delivery.</p> <p>A mapping exercise of all key processes is continuing to automate and e-enable where possible to increase and further improve Council resilience.</p> <p>As part of the transformation journey, we are working towards being more reactive to customer demands/needs.</p> <p>South Cambridgeshire District Council will begin a three-month trial of a four-day working week in January for desk-based staff. This trial now also includes refuse and cleansing teams.</p> <p>Even with mitigation in place the challenges of attracting, recruiting and retaining staff is becoming increasingly difficult.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
6	<p>Risk: - Breach of ICT security causes loss of service</p> <p>Effects: - Major IT physical hardware failure or electronic attack, such as viruses, hacking or spyware, causes disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.</p>	5	5	25	<ul style="list-style-type: none"> • Anti-virus software • Geographically distributed servers • Tested disaster recovery plan • Back-ups stored off site • Secondary power supply • Revised security policies • Critical services' business continuity plans include manual operation 	3	4	12	<p>Peter Catchpole</p> <p>SB/AB</p>	<ul style="list-style-type: none"> • Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Likelihood of a breach is reduced by above mitigation 	<p>The Council has subscribed to the National Cyber Security Centre's (NCSC) Web Check service that helps public sector organisations fix website threats. This service regularly scans public sector websites to check if they are secure. NCSC have advised that the Fenland Council site is secure.</p> <p>Council IT systems and website are as secure as possible with current anti-attack software and processes up to date. When vulnerabilities are made known by software vendors, software is updated to reduce the risk of malicious attack.</p> <p>The likelihood score reflects the increase globally of cyber crime</p> <p>All Council employees are currently undertaking Cyber security training.</p> <p>Elected Members to undergo GDPR refresher training.</p> <p>Cambridgeshire and Peterborough Local Resilience Forum (CPLRF) has recently produced a Cyber Incident Resilience Plan.</p> <p>FDC have contributed towards this plan and a multi-agency exercise took place in November to test this plan.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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16	<p>Risk:- Service provision affected by organisational change.</p> <p>Effects:- Service provision and performance affected by organisational change, industrial action and/or staff sickness resulting in complaints, poor performance and possible further costs.</p>	4	5	20	<ul style="list-style-type: none"> Working environment / org culture Audit & Risk Management Committee Consultation with Management, Trade Union and Staff Partnership group (MTSP) Flexible working Established suite of people policies & procedures Business continuity plans Management training “Springboard” appraisal for all staff support and development Robust human resource management procedures, which are considered at CMT level. Regular performance monitoring and management Access to interim arrangements Robust sickness absence management Project management processes 	3	4	12	<p>Peter Catchpole</p> <p>All Mgs</p> <ul style="list-style-type: none"> Robust management of all organisational change. Business continuity plans for each service. Culture of Council remains effective Workforce planning, which includes succession planning for key roles an talent management A comprehensive programme of health surveillance for groups of employees who work in certain service areas (e.g. refuse drivers, workshop, port staff, etc.) Trained Mental Health First Aiders in place Stress awareness training Resilience training Staff engagement and consultation processes Likelihood is reduced based on mitigating actions 	<p>All services have up to date Business Continuity Plans in place; and have reviewed and updated their Business Continuity Plans in the light the Covid-19 pandemic.</p> <p>All organisational changes must be supported by a full rationale and business cases and are present to and considered by the senior management; If approved, the proposed change is subject to consultation process, and then progressed and managed by a wider project group to ensure all service provision issues are properly considered and managed. This project management approach is maintained for all such changes/programmes, and is supported by communication, engagement and training support for staff groups affected.</p> <p>The Council has a health and wellbeing programme in place which supports the existing suite of Policies, Codes of Practices and processes, this includes a wide range of support to help promote and encourage their good health and wellbeing, such as:</p> <ul style="list-style-type: none"> A dedicated Occupational Health Advice and guidance support service available for all colleagues Access to a health care plan for all employees (at nil cost to the Council) to enable financial support to access a wide range of health care specialists and interventions (e.g. chiropractic services, dental treatment, acupuncture, reflexology, chiropody etc.) A confidential Employee Assistance Programme (EAP), which provides a counselling service to staff where needed. A dedicated online platform offering a wide range of support and advice for all employees of a comprehensive range of issues. <p>Actions agreed from the most recent wellbeing survey include:</p> <ul style="list-style-type: none"> All managers will be invited to attend a two-day Mental Health First Aid course All employees will be invited to a half-day Mental Health Awareness course All new employees will be required to attend the training as part of their induction to the Council. Upskilling our managers to assist in the management of a remote workforce and support the wellbeing of their teams 	

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17	<p>Risk:- Political changes in national priorities</p> <p>Effects:- Changes in national political priorities may result in immediate changes that require additional resource to achieve and fail to reflect priorities determined by consultation.</p>	5	4	20	<ul style="list-style-type: none"> • Financial & workforce planning • Monitoring by CMT and resultant Cabinet reports • Clear corporate planning and regular performance monitoring • Effective service & financial planning • Respond to national consultation on key policy changes • Membership of LGA as a Council Outside Body 	3	4	12	Paul Medd	<ul style="list-style-type: none"> • Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Resources identified, approved and implemented without delay. • Constant monitoring • Horizon scanning via professional bodies • Joint/collaborative working 	The likelihood of legislative change remains high in light of the current political changes. We are keeping a watching brief as these changes are announced.

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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18	<p>Risk:- Capital funding strategy failure</p> <p>Effects:- Financial risks of capital funding shortfalls leading to increased burden to the Council. Potential for marginal deficit in capital program if future funding is not realised</p>	5	5	25	<ul style="list-style-type: none"> • Asset Mgmt Plan • Asset disposal linked to capital programme • Corporate Asset Team • CMT monitoring of capital receipts/effect on capital programme • Regular Cabinet review of the capital programme, member with responsibility for assets • Additional funding opportunities identified and pursued where possible • Project lead monitors site valuations linked to econ' dev' proposals. • Marketing and identification of potential land purchasers, flexibility of planning guidance aligned to market needs • Continued consultation with econ partners 	3	4	12	<p>Peter Catchpole</p> <p>MS/NK</p>	<ul style="list-style-type: none"> • Forward planning and horizon scanning. • Regular high-level monitoring of direction of travel and mitigation required. • Asset Management Plan. • Asset Disposal Strategy. 	<p>The Council's capital funding programme is regularly reviewed by Officers and by Cabinet.</p> <p>The current projected funding deficit will be met by borrowing and the relevant annual financing cost has been included in the Council's Medium Term Financial Plan. Increasing finance costs and significant inflationary pressures mean that some projects in the capital programme may be deferred due to their lack of commercial viability. However, a significant number of projects remain which will need to be delivered in the short to medium term to address the Council's statutory responsibilities and/or deliver against agreed strategic objectives. A particular challenge exists where grant funding is received prior to going out to tender and then is insufficient to cover the full cost of planned works. The regular project meetings chaired by the Chief Executive ensure there is an ongoing discussion of project financing and consideration given to other funding options and re-scoping of projects.</p> <p>A further specific challenge relates to future costs concerning the port infrastructure and backlog maintenance of the property portfolio. Members are aware that whilst the associated costs are not yet factored into the capital programme and medium financial plan the impact is likely to be significant. The options for cost-avoidance and reduction will depend on significant strategic decisions to be taken as part of the budget-setting process.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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1	<p>Risk:- Legislative changes/ significant legal challenge.</p> <p>Effects:- Changes arising from Central Government.</p> <p>Risk of GDPR breach and ICO sanction/fine.</p> <p>Risk of administrative or other challenge in relation to the Council's overall governance/acts/ omissions.</p>	5	5	25	<ul style="list-style-type: none"> Monitoring Officer Horizon scanning by Legal/CMT/Mgt Team Service Manager responsibilities Financial & workforce planning Membership of professional/ Local Govt bodies aids horizon scanning Mgmt of change approach to mitigate significant impact to the organisation and its staff Detailed project plans to change implementation Respond to consultations on new legislation Insurance 	2	5	10	Carol Pilson AB	<ul style="list-style-type: none"> Use intelligence to identify impending changes and their effects. Ensure staff trained and procedures changed. Use professional networking to identify best practice for responding to change. We respond to government consultations on changes to legislation or policy to influence its development. Operate in accordance with best practice. Seek specialist external legal advice where required. Effective working with other local authorities 	<p>Officers continue to horizon-scan for legislative changes and their effects.</p> <p>The Council has in house senior legal advice as well as through its links with external organisations such as EM Lawshare and PCC Legal. Specialist external advice will be sought in relation to complex/technically challenging matters as appropriate.</p> <p>The Council has compiled an Information Asset Register of all records it holds in both paper and electronic form, worked with IT system suppliers and conducted a staff awareness campaign to ensure that staff understand and are compliant with GDPR.</p> <p>The majority of information held by the Council is held with a legal basis for holding such as election and Council Tax records. All staff undergo GDPR training, and opportunities for further Member training in this area are currently being explored</p> <p>The Council now has a dedicated GDPR Officer, and each service is required to have a dedicated GDPR lead</p> <p>Waste and Resources Strategy (Environment Bill) includes changes to waste collection and treatment. These changes lack full detail as yet, this is expected late 2023, but it will involve changes in how we are funded and what is expected of us as a local authority. The lack of clarity is part of the risk at present.</p> <p>The Elections Bill 2021 includes additional requirements relating to: Voter identification; Postal and Proxy voting measures; Clarification of undue influence; Accessibility of Polls; Overseas Electors; EU Voting and Candidacy Rights; The Electoral Commission; Notional Expenditure; Political Finance; Intimidation: New Electoral sanction; and Digital Imprints.</p> <p>New procurement legislation will be introduced in 2023. Details are currently unknown. Officers are keeping a watching brief and will update Management team and members when the impacts become known.</p>

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10	<p>Risk: - Major health and safety incident</p> <p>Effects: - Major Health & Safety incident at Council leads to costs for inquiry, disruption to service and possible prosecution</p>	4	4	16	<ul style="list-style-type: none"> • Health & Safety (H&S) Panel • All service areas are represented at H&S Panel, and raise H&S issues as required • H&S procedures – addressed at every service area • H&S audits in all services • Specialist H&S advisor • Corporate wide H&S training • Insurance • Aligned Port Health and Safety arrangements • Port Management Group and annual independent audit • Robust sickness management processes 	3	3	9	CMT DV	<ul style="list-style-type: none"> • Ensure health and safety is discussed at relevant team meetings. • Ensure service updates are given at each H&S Panel meeting • Ensure equipment inventory and inspections are up to date. • Review Risk Assessments and Action Plans. • Capture Port near misses and asses learning points • All high-risk areas have increased systems of management in place, e.g. the Port Safety Management Group 	<p>A thorough Health and Safety regime at the Council ensures that the residual risk remains carefully managed</p> <p>Programme of targeted health and safety refresher training is in place as per service specification.</p> <p>Health and Safety performance is monitored regularly, and accident statistics remain low.</p> <p>Flu jabs are being provided for employees.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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11	<p>Risk: - Fraud and error committed against the Council</p> <p>Effects: - Potential for fraud, corruption, malpractice or error, by internal or external threats. In addition to immediate financial loss, this could harm reputation and lead to additional inquiry costs and penalties.</p>	4	4	16	<ul style="list-style-type: none"> • Anti-fraud & corruption policy/ strategy • Financial Regulations / Standing Ord • Codes of conduct • Appropriately trained staff • Appropriate culture and risk awareness • Segregation of duties • Supported financial mgt system • Budget monitoring regime • Internal Audit review of sys /and controls • Bribery & corruption / fraud risk assessments • Indemnity insurance • Whistle-blowing procedure • Annual Governance Statement • ARP fraud resource • National Fraud Initiative 	3	3	9	<p>Peter Catchpole / Carol Pilson</p> <p>KW</p>	<ul style="list-style-type: none"> • Increase staff vigilance • Fraud awareness training for Managers • Raise profile internally and externally for successful prosecutions 	<p>The likelihood reflects the number of additional grants the Council is now administering as a result of the pandemic. The Council is working with the NFI on assurance.</p> <p>The Council has assisted with each annual National Fraud Initiative, cross-matching information with records held nationally.</p> <p>The Fraud team within the Anglia Revenues Partnership (ARP) continue to work on this area.</p> <p>The Council's Anti-Fraud and Corruption Strategy is currently being reviewed.</p> <p>A fraud awareness training programme for all staff is being finalised and is planned to be delivered virtually.</p> <p>The Council's ICT systems have also been reviewed and updated to provide better protection against potential fraud – please see risk 6.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
13	<p>Risk:- Failure of Governance in major partners or in the Council as a result of partnership working</p> <p>Effects:- Partnership governance not adopted or followed, leading to unachieved priorities and poor performance by major partner agencies:- Cambs and Peterborough Combined Authority, Anglia Revenues Partnership, CNC Building Control, Shared Planning, CCTV</p>	4	5	20	<p>Cabinet and O&S, bi-annual stakeholder events ensure accountability</p> <ul style="list-style-type: none"> • ARP Joint Committee and Operational Improvement Board, Cabinet, O&S, joint risk registers • CNC Joint Members Board, Cabinet plus O&S • Shared Planning Board, Cabinet plus Overview and Scrutiny, joint performance indicators • Project plans / perf monitoring shared risk registers • PCCA Membership. 	3	3	9	<p>Carol Pilson / Peter Catchpole</p> <p>All Mgrs</p>	<ul style="list-style-type: none"> • Assurance that governance models correctly followed and in the Council's interests. • Support Members in governance of partnership bodies. • Ensure that the Council's interests are protected as Members of the Combined Authority and as Officers working on joint projects. • Ensure all Partners have robust Business Continuity Plans in place • GDPR compliance • Robust ICT governance processes 	<p>The Annual Governance Statement being reported to Audit & Risk Management Committee shows the Council is in a strong governance position.</p> <p>Scrutiny of ARP and Planning takes place on an annual basis and Cabinet members sit on Boards to ensure the effective delivery of partnership arrangements such as CNC Board for building control.</p>

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14	<p>Risk:- Failure to achieve required savings targets</p> <p>Effects:- Failure to achieve efficiency saving, maximise income, or performance targets, results in greater than budgeted costs and potential risk of Council not being able to set a balanced budget.</p>	4	5	20	<ul style="list-style-type: none"> • Heightened analysis of budgets and services by CMT • Implement Service Transformation • Implement Procurement Strategy • Corporate plan • Pursue action to increase income streams • Performance Management Framework • Budget and performance monitoring • Robust Workforce planning • Project Management processes • Our Council for the Future programme • Modernising Council Services transformation programme 	3	3	9	CMT MS/NK	<ul style="list-style-type: none"> • Robust control of corporate Transformation Plan. • Regular progress reports and assurance to Members. • Organisational and Service transformation programme • Commercialisation and Investment Strategy • Transformation and Recovery Plans 	<p>Delivery of Council Efficiency targets continue including delivering savings planned for in the Council's annual budget and medium-term financial strategy.</p> <p>The Council returned a small surplus in the 2021/22 financial year. The original budget for 2022/23 included £192,000 of additional savings to be delivered in this financial year with full-year savings of £384,000 built into forecasts from 2023/24. A shortfall between the net budget requirement and resources available still exists over the medium-term. The extent of this gap will be re-appraised in autumn 2022 as part of the budget-setting process.</p> <p>The Council has now delivered Phase 2 of the 'Modernising Council Services' programme which is on target to deliver significant savings over the Council's current MTFP period. We have now started delivering the next phase of this transformation programme.</p> <p>As part of the Council's Transformation Programme, the Council has recognised that this is an opportune time to commence a full Accommodation Review, which could contribute significantly to future savings requirements. The pandemic has seen much of the Council's workforce successfully moved to remote working models which presents new possibilities for the Council. By way of background, the Council has undertaken a condition survey for Fenland Hall. This indicates a requirement for significant capital and revenue investment in Fenland Hall. Whilst some costs will be unavoidable and will need to be built into updated financial forecasts, the timeframe and degree of priority will vary according to which option is taken forward once the Accommodation Strategy Outline Business Case has been considered by members.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
19	<p>Risk:- Poor communications with stakeholders</p> <p>Effects:- Poor communication with stakeholders and staff leads to poorly informed direction of resources and lack of support for change Reputational damage Staff turnover Increased sickness absence</p>	4	5	20	<ul style="list-style-type: none"> Internal and external regular publications Staff and management meetings Regular staff communication from the Chief Executive Key stakeholder networks for consultation Forums for perceived hard to reach groups Co-ordinated press releases Comments, Compliments and Complaints monitoring and reporting procedure Customer Service Excellence accreditation Consultation strategy MTSP 	3	3	9	<p>Carol Pilson</p> <p>DW/SA</p>	<ul style="list-style-type: none"> CSE Action Plan. Staff survey and Wellbeing survey Public consultations on key issues. 3cs refresher training Team meetings “What’s Breaking” communication and Vlog updates from the Chief Executive to all staff Use of social media communication mediums Fully updated website 	<p>The Council’s CSE performance is assessed each year by an external expert. The Council has a dedicated project team to ensure ongoing progress against CSE requirements/actions across all service areas to ensure consistent and effective communication to our customers.</p> <p>All change projects are supported by a robust project management approach, which includes a communication programme to ensure that stakeholders are fully informed.</p> <p>Introduction of the Chief Executive’s vlog to provide staff with updates on Council projects, share information about the organisation and its day-to-day business, and to be used as an opportunity to answer questions.</p>

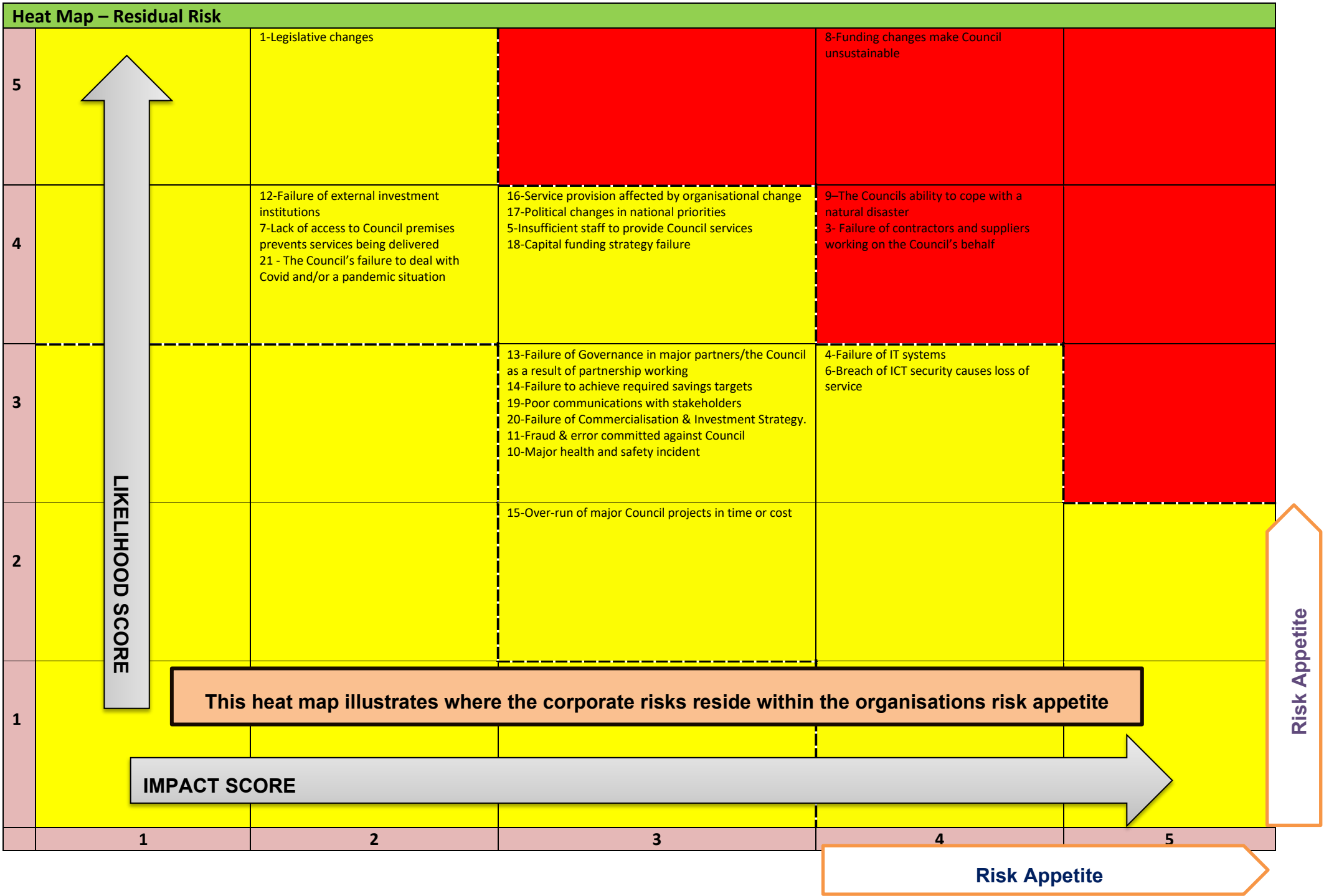
Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
20	<p>Risk:- Commercial uncertainties associated with decisions taken as part of the Council's Commercial and Investment Strategy.</p> <p>Effects:- Reputational damage Financial loss Impact on services, staff and community</p>	5	4	20	<ul style="list-style-type: none"> • Robust oversight and governance arrangements • Expert professional advice • Robust budget management • Thorough project management and business cases process 	3	3	9	CMT	<ul style="list-style-type: none"> • All governance requirements have been put in place and will be robustly reviewed going forward • Fenland Future Ltd (FFL) has been constituted, with all appropriate governance requirements in place • Dedicated external expert resources are identified and procured to support where required • Annual audit on all governance arrangements 	<p>This risk will be closely monitored to enable any new actions for mitigation to be identified and put in place.</p> <p>The Council's Commercial and Investment Strategy has a scoring matrix to inform all potential investment opportunities, which are considered fully by the Investment Board before they are ratified.</p> <p>Full business cases for all identified opportunities are taken to the Investment Board for consideration. This includes deciding on the delivery methodology. i.e. FDC or FFL and resource required to deliver each project.</p> <p>FFL's Business Plan was recently approved by the Council's Investment Board. Project plans setting out the preferred delivery routes for each of FFL's major projects are currently being prepared.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
7	<p>Risk:- Lack of access to Council premises prevents services being delivered</p> <p>Effects:- Disruption of service provision.</p> <p>The Council has undertaken a condition survey of Fenland Hall and significant repairs are needed.</p>	4	4	16	<ul style="list-style-type: none"> Alarm and security systems Fire drills Business continuity plans Emergency planning network ICT disaster recovery and offsite testing Relocation procedures - critical and support services Geographically distributed sites Remote working Statutory building inspection and checks Corporate Business Continuity Plans Carrying out necessary works to rectify urgent issues Monitoring the number of staff working from Fenland Hall to ensure the situation doesn't impact service delivery. 	2	4	8	<p>Peter Catchpole</p> <p>SB DV MG</p>	<ul style="list-style-type: none"> Regularly test Emergency Plan Test service Business Continuity Plans Ensure key emergency planning staff attend regular liaison meetings and training Provision of 'drop down' facilities for staff 	<p>Emergency plans – ongoing programme of review, testing and training of staff involved in a response</p> <p>Plans regularly checked and tested with emergency planning exercise conducted at intervals.</p> <p>Improved ICT systems provide better/increased opportunities for remote/agile working</p> <p>The majority of office-based staff have the necessary equipment to be able to work from home, with access to Council systems, which allows us to maintain the delivery of Council services.</p> <p>All key/priority services have individual Business Continuity measures in place to maintain service delivery.</p> <p>The Council has implemented Pay Point, which has enabled our resident to pay their bills (by cash or card) in a much greater number of more local rural locations across the district.</p>


Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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12	<p>Risk:- Failure of external investment institutions</p> <p>Effects:- Failure of external investment institutions affecting availability of funds or return on investment reducing cash flow and resource availability</p>	5	4	20	<ul style="list-style-type: none"> • Policy for maximum investment/ borrowing levels limits liability • Credit ratings • Financial management • Reserves • Insurance • Medium Term Financial Strategy • Treasury Management Strategy 	2	4	8	<p>Peter Catchpole</p> <p>MS/NK</p>	<ul style="list-style-type: none"> • Effective Treasury Management strategy. • Robust auditing of processes and policies. 	<p>The Council's treasury management position is regularly reviewed. The Council complies with relevant sector best practice.</p> <p>The Treasury Management Strategy is subject to review by the Audit and Risk Management Committee prior to being considered and approved by Cabinet and Full Council in February each year. An annual report and a mid-year report are produced during the year for members' consideration in accordance with reporting requirements set out by CIPFA.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
21	<p>The Council's failure to deal with Covid and/or a pandemic situation</p> <p>Includes the adverse impact on all aspects of service delivery</p>	5	5	25	<ul style="list-style-type: none"> • Additional resources • Covid Gold group • Working with key partner agencies (Public Health, CPLRF, ARP etc.) • Supporting delivery of Business grants and self -solation payments • Agile working, the majority of staff are home-work enabled, and all services have split into 'bubbles' to maintain resilience and business continuity • ICT infrastructure • Ongoing communications to public and workforce 	2	4	8	CMT	<ul style="list-style-type: none"> • Regularly test Emergency Plan • Test Service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Ongoing management response group and regular conference call and action planning • Support vaccination programmes • Enduring transmission programmes • Additional temporary resources have been identified to support key services 	<p>The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of an emergency.</p> <p>The Council's response to any such situation will complement and support the coordinated CPLRF and Public Sector response to any such incident.</p> <p>CPLRF are leading on the County's response to the current pandemic and key senior staff attend regular multi-agency briefing and planning meetings.</p>

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15	<p>Risk:- Over-run of major Council projects in time or cost</p> <p>Effects: - Failure to manage projects effectively leads to overruns on time or cost and failure to achieve project aims. Reputational damage</p>	4	5	20	<ul style="list-style-type: none"> • Project Management methodology • Contract Standing Orders & Financial Regulations • Service plans • Budgetary control • Management, Cabinet and Portfolio Holder oversight • Forecasting • Horizon scanning • Amended ways of working; models have changed with remote working but remain effective. 	3	2	6	CMT	<ul style="list-style-type: none"> • Robust project management. • Effective risk registers for projects. • All projects have a CMT sponsor with experienced management membership • Project Management Board oversight • Legal due diligence around Grant Agreements 	<p>The likelihood rating reflects the ongoing economic situation and the impact of this.</p> <p>Effective project management remains a Council priority.</p> <p>Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings.</p> <p>The impact of the pandemic has inevitably delayed the delivery of some projects but this is factored into the revised project plans going forward.</p> <p>The Council has now delivered Phase 2 of the 'Modernising Council Services' programme which is on target to deliver significant savings over the Council's current MTFP period. We have now started delivering the next phase of this transformation programme.</p> <p>Governance arrangements around project management have been reviewed and were presented to Cabinet. These are now being rolled out.</p>



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Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	6 February 2023	
Report Title:	Internal Audit Plan 2022-23 Progress Report Q2/Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2022-23 for the period 01 April 2022 including planned work until 31 December 2022 and the resulting level of assurance. To provide an update to members on the resourcing challenges in the Internal Audit Team.

2 Key issues

- The Council's Internal Audit plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.
- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Performance Standard 2060 of the PSIAS requires the Audit Manager to report to the Committee on the internal audit activity and performance relative to this plan.
- Audit and Risk Management Committee approved the Internal Audit Plan 2022-23 on 14th March 2022.
- Members of the Audit and Risk Management Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.
- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the audit activity which has successfully taken place and the associated assurance level.

3 Recommendations

- For Members of Audit and Risk Management Committee to consider and note the activity and performance of the internal audit function.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor Kim French - Audit and Risk Management Committee Chairman
Report Originator(s)	Tammy Smith – Internal Auditor Laura Newton – Internal Auditor
Contact Officer(s)	Amy Brown – Assistant Director, Legal and Governance amybrown@fenland.gov.uk 01354 622450 Peter Catchpole - Corporate Director & CFO petercatchpole@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2022-23 Internal Audit Outturn and Quality Assurance Review 2020-21

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2022 to 31 December 2022.
- 1.2 The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur due to, for example: -
- introduction of new legislation/regulations,
 - changes of staff,
 - changes in software,
 - changes in procedures and processes,
 - changes in service demand,

2 Monitoring

- 2.1 On completion of each audit a formal report is issued to the relevant Service Manager and Corporate Director. A copy is also sent to the Corporate Director – Finance (S151 Officer). Each report contains a management action plan, with target dates, that have been agreed with managers to address any observations and recommendations raised by the Internal Auditor. Progress on recommendations is monitored on a quarterly basis.
- 2.2 The following audits have been completed up to end of Q3 2022-23. (Appendix A)
- Trading Operations – Port, Commercial and Marine (21/22)
 - Construction Industry Scheme (21/22)
 - Licensing – Alcohol (21/22)
 - Development Planning Obligations (S106 / CIL) (21/22)
 - Customer Comments, Compliments and Complaints (3C's)
 - ICT Cyber Security
 - Contract Monitoring – Animal Control (Stray Dogs)
 - Safer Fenland Partnership
 - Covid-19 Business Grants – Post Payment Assurance
 - Economic Development
 - Trading Operations – Partner Leases
 - Play Areas
- 2.3 The following audits are currently ongoing and will be reported to the committee in future progress reports:
- Housing Options
 - Income/Debt Management Review
 - Development Delivery
 - Contract Monitoring – Grounds Maintenance
 - Creditors
 - ARP Enforcement
 - Corporate Finance – Budgetary Control

- 2.4 In the first three quarters of the year other work that the internal audit team have been involved to assist with and to provide additional assurance are detailed below:
- Care and Repair Disabled Facilities Grants declarations
 - Grant Funding declarations, including Test and Trace schemes and COMF funding
 - Fraud Investigation work
 - National Fraud Initiative work
 - Risk Management Group
 - Major Project support and advice
 - Follow up reviews on outstanding recommendations

3 External review and resourcing update

- 3.1 As members are aware we are currently carrying out our required review of internal audit and the full report is expected soon. This will be presented to members at the next meeting scheduled for 20th March 2023.
- 3.2 As a separate part of this review we are also looking at an options appraisal for the delivery of our internal audit service in the light of recent changes and a challenging recruitment market. These challenges are being seen both locally and nationally and we are exploring all options to complement our existing provision.
- 3.3 Members are aware that our Internal Audit Manager left the organisation at the end of November 2022 and that this would have a significant impact on the delivery of the full audit plan for 2022-23. We are currently undertaking a prioritisation of the plan to ensure that focus is on the high risk and fundamental audits for the remainder of the year and a full update will be provided to members at the March meeting along with the draft internal plan for 2023-24.
- 3.4 Initial review shows that all fundamental and high risk audits will be completed this year with only payroll being deferred until 2023-24 as this did receive a "Substantial" rating in 2021-22.
- 3.5 At present there are no significant issues arising from this and full assurance is still expected for 2022-23.

Appendix A: Audits completed

Audit	Overall Opinion	High	Medium	Low	Recommendation Theme
<p>Trading Operations – Port, Commercial and Marine (2021/22)</p> <p>To gain assurance that that the Council has robust procedures and guidance in place with relation to pilotage, wharfage, and administration. That there is appropriate management of income and record keeping and appropriate governance in place, as per legislation.</p>	Adequate	1	-	3	<p>The High-risk recommendation is restated from a previous audit - there is no current formal agreement between FDC and Lincolnshire County Council with regards to the Sutton Bridge Cross Keys Marina.</p> <p>The low-risk recommendations relate to best practice improvements in relation to filing and record keeping</p>
<p>Construction Industry Scheme (CIS) (2021/22)</p> <p>To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate procedures for self-employed contractors.</p>	Adequate	1	1	2	<p>The High and medium risk recommendations relate to the implementation and responsibility of IR35 regulations.</p> <p>The low-risk recommendations relate to business continuity and segregation of duties in processing CIS transactions</p>
<p>Licensing – Alcohol (2021/22)</p> <p>To gain assurance that the Council has robust procedures and guidance in place demonstrating appropriate issuance of both Premises and Personal Licences – Alcohol. That legislation is followed accordingly, and that income is collected promptly and accounted for.</p>	Substantial	-	1	-	<p>The recommendation relates to the renewals process for Premises Licences.</p>

<p>Development – Planning Obligations (S106/CIL) (2021/22)</p> <p>the Internal Audit Service has undertaken a <i>follow-up investigation</i> to the recommendations of the systems-based review of Development Control – Planning Obligations that was performed in 2017/18, issued in April 2018.</p> <p>This audit was performed to establish current status of implementation of the recommendations identified in the previous audit report and to gain assurance that there are adequate internal controls and procedures in place for the recording, monitoring and following up of all S106 Agreements within the District.</p> <p>This audit consisted of discussion with the Head of Planning and the following up recommendations identified only – no additional testing has been completed.</p>	Adequate	-	-	-	<p>No further recommendations were identified and satisfactory improvements have been made in respect of implementing and actioning previous recommendations. The previous report identified 2 high risk and 3 medium risk recommendations. This were raised and discussed with the Head of Planning. There were two recommendations identified; 1 high and 1 medium, that the Head of Planning has not agreed and reasoning has been given. The remaining recommendations have been implemented successfully.</p>
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<p>3C's Process</p> <p>To gain assurance that there are sufficient policies and procedures in place for the Council to record, monitor and report on the Council's correspondence, compliments and complaints received.</p> <p>My Fenland Team are responsible for the monitoring and recording of the 3C's, performance reporting of statistics and liaising with relevant service managers, aiming to provide customer resolution and satisfaction.</p>	Adequate	-	5	1	<ul style="list-style-type: none"> • Procedure notes to be updated to reflect current practice and contact officer details • Ensure that monthly performance reports are complete and accurate and reflect actual performance • Review and revise monitoring spreadsheet to ensure formulas for reporting are complete and accurate • Monthly performance reports to be published on the intranet for awareness • Raise awareness with service managers of the importance to take ownership and respond within timescale for customer complaints
<p>ICT Cyber Security</p> <p>To gain assurance that there appropriate levels of internal controls for cyber security across the Council incorporating the following areas:</p> <ol style="list-style-type: none"> 1.Internal policies and procedures exist and that they are regularly updated and complied with 2.National Cyber Assessment Framework is complied with 3.Cyber security controls are regularly tested by specialist IT external auditors 4.Adequate controls are in place to prevent unauthorised access 5.Adequate controls are in place for mobile devices 6.Appropriate training is given to staff 	Substantial	-	2	1	<ul style="list-style-type: none"> • Ensure that a revised and updated version of the ICT Strategy and Information Security Policy is agreed, formalised and published • Complete a review of the Acceptable Use Policy and update as necessary to ensure compliance with revised strategy • Ensure cyber security training is actively completed by all officers and new starters in order to comply with ICT Policy and guidance. Timescales for completion to be adhered to, otherwise further action to be take.

<p>Contract Monitoring – Animal Control (Stray dogs)</p> <p>To gain assurance that there are effective controls in place to provide a stray dog collection service to Fenland area:</p> <ol style="list-style-type: none"> 1. There are adequate policies and procedures in place 2. There is adequate reconciliation of income 3. There is regular and frequent monitoring of the contract and evaluation of the contractor’s performance 	Substantial	-	-	-	
<p>Safer Fenland Partnership</p> <p>To gain assurance that that there is an up-to-date strategy with clear priorities and effective government arrangements in place for the delivery of ‘Safer Fenland’.</p> <ol style="list-style-type: none"> 1. Effective Governance of the Community Safety Partnership 2. Information is managed effectively and securely 3. Grant distribution / finding has sufficient audit trails 	Substantial	-	-	-	
<p>Trading Operations – Partner Leases</p> <p>to gain assurance that there are appropriate and effective procedures and controls in place for the monitoring of</p>	Limited	3	2	-	<p>Scheduling of invoicing</p> <p>Communication channels with Sundry Debtors</p> <p>Lease and licence agreements are complete and</p>

<p>Partner Leases</p> <ul style="list-style-type: none"> • Income is collected for Partner Leases/Licences. • Leases/Licences completed and signed. • Resources have been accounted for – e.g., utilities. • Building security is not compromised. 					<p>signed Rent Reviews Security arrangements at The BASE</p>
<p>Economic Development to gain assurance that the Council’s key business objectives for the service are being met.</p> <ul style="list-style-type: none"> • There is an up to date and consulted strategy • Delivery of the strategy • Promotion of services complies with Council rules and procedures • Budget is spent effectively • Grant applications are risk managed and monitored 	Substantial	-	-	-	
<p>Play Areas to gain assurance that Play Areas are maintained as per the Contract, meeting key objectives of the Authority.</p> <ul style="list-style-type: none"> • There is an up-to-date maintenance contract in place, covering all play areas in the district 	Adequate	-	2	2	<p>Lack of record keeping Poor contract monitoring</p>

<ul style="list-style-type: none"> • Play areas are inspected regularly as agreed, by trained contractors and reported to the Authority in a timely manner • Play areas are maintained by contractors and in a safe condition in accordance with RoSPA guidelines • Repairs are actioned in a timely manner in accordance with the contract 					
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An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment.

The text below is an indication of the different assurance ratings used:

Assurance	Description
Full	There is a sound system of control designed to proactively manage risks to objectives.
Substantial	There is a sound system of control, with further opportunity to improve controls which mitigate minor risks.
Adequate	There is a sound system of control, with further opportunity to improve controls which mitigate moderate risks.
Limited	There are risks without effective controls, which put the objectives at risk.
None	There are significant risks without effective controls, which put the objectives at risk. Fraud and/or error are likely to exist.

Appendix B – Recommendation progress 2020/21 - 2022/23

Total Recommendations 2020/21				
	High	Medium	Low	Total
Total Recommendations	3	21	23	47
Total Complete	3	20	21	44
Total Not Due	0			
Overdue	0	1	2	3

- This data includes recommendations made from our ARP Audit Partners who conducted audits for the partnership. These have all been completed or superseded by the audits of 2021/22.
- **The overdue recommendation relates to CCTV and has been chased with the relevant Head of Service. This has been raised with Management Team and is still outstanding.**

Total Recommendations 2021/22				
	High	Medium	Low	Total
Total Recommendations	6	31	41	76
Total Complete	2	15	29	46
Total Not Due	2	6	9	17
Overdue	2	10	3	15

- This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities at this stage.
- **The overdue high-risk and medium risk actions relate to the Business Unit Lettings Audit. Progress has been made in drafting a new Letting Policy – this will be published very soon and staff recruitment is underway to address some of the other issues identified during the audit.**
- **The overdue recommendations are presented to Management Team on a quarterly basis to monitor progress and to discuss any issues with relevant service managers.**

Total Recommendations 2022/2023				
	High	Medium	Low	Total
Total Recommendations	6	31	41	76
Total Complete	2	15	29	46
Total Not Due	2	6	9	17
Overdue	2	10	3	15

- All overdue recommendations are in the process of being addressed by the Internal Audit Team and will be updated accordingly.

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
20 March 2023	Audit Results Report (ISA260)	Annual	External Audit	To consider and note audit results report
	Statement of Accounts 2021/22	Annual	Mark Saunders	To review and approve the Statement of Accounts 2021/22
	Letter of Representation	Annual	Mark Saunders	To agree format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 21-22 Statement of Accounts audit. To be signed by Chairman of ARMC and S151 officer.
	Annual Governance Statement Update 2022/23	Progress Report	IA Manager	To review progress on the AGS for 2022-23
	External Quality Assessment	5-yearly	Peter Catchpole	To provide members with the results of the 5-yearly External Quality Assessment of Internal Audit
	Risk Management Policy and Strategy Review	Annual	Stephen Beacher	To consider and note the annual review of risk management Policy and Strategy
	RIPA Annual Update	Annual	Amy Brown	To review and note the use of RIPA in the year
	Risk Based Internal Audit Plan and Internal Audit Strategy 2022/23	Annual	IA Manager	To provide the Audit and Risk Management Committee with an overview of the work to be undertaken by Internal Audit during 2022/23
	Audit and Risk Management Committee Work Programme	Quarterly	Peter Catchpole	Information purposes
4 July 2023	Treasury Management Annual Review 2022/23	Annual	Mark Saunders	To consider the overall financial and operational performance of the Council's treasury management

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

				activity for 2022/23
	Internal Audit Outturn and Quality Assurance Review	Annual	Audit	<p>To provide the Audit and Risk Management Committee with an overview of the work undertaken by Internal Audit during 2022/23</p> <p>To provide the Audit Managers annual opinion on the system of internal control</p> <p>To consider the effectiveness of Internal Audit</p>
	Audit and Risk Management Committee Annual Report 2022-2023	Annual	Audit	To report to Full Council the commitment and effectiveness of the Audit and Risk Management Committee's work from April 2022 to March 2023
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information purposes
	Independent members Review	Progress report	Amy Brown	To discuss the appointment of an independent person to the ARMC
25 September 2023	Annual Governance Statement 2022 - 23	Annual	Audit	Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations
	Statement of Accounts 2022-23	Annual	Mark Saunders	Review and approve the Statement of Accounts 2022-23

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

	Corporate Risk Register Review	Quarterly	Stephen Beacher	To provide an update to the Audit and Risk Management Committee on the Council's Corporate Risk Register
	External Audit Plan 2022-23	Annual	External Audit	To note the external audit plan for 2022-23
	Internal Audit Plan 2022/23 – Quarterly Update	Progress report	Audit	To consider and note the activity and performance of the Internal Audit function.
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information purposes

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
20 November 2023	Audit Results report (ISA 260)	Annual	Audit	To note the independent external auditors, Ernst & Young (EY), Annual Audit Letter
	Letter of Representation	Annual	Mark Saunders	To agree the format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 21-22 Statement of Accounts audit.
	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review	6 monthly	Mark Saunders	To review the activity for first 6 months of the year and to provide members a update on matters pertinent to the Councils Treasury Management Strategy
	Internal Audit Plan 2022/23 Progress report Q2	Quarterly	Audit	To consider and note the activity and performance of the Internal Audit function.
	Corporate Risk Register - Quarterly update	Quarterly	Stephen Beacher	To review and <i>approve the</i> quarterly risk register
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information Purposes
12 February 2024	Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24	Annual	Mark Saunders	To endorse the strategy to be included in the final budget report
	Internal Audit Plan 2022/23 Progress report Q3	Quarterly	Audit	To consider and note the activity and performance of the Internal Audit function

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

	Risk Register – Quarterly update	Quarterly	Stephen Beacher	To review and approve the quarterly risk register.
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information Purposes
25 March 2024	Risk Based Internal Audit Plan 2022/23	Quarterly	Audit	To approve the internal audit plan and resources for the forthcoming year
	Annual Governance Statement update	Progress Report	Audit	To review and note the progress on the Annual Governance Statement action plan.
	Risk Management Strategy and Corporate Risk Register	Annual	Stephen Beacher	To consider and note the annual review of risk management and corporate risk register
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information Purposes

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Future items *(when to be brought to the committee in 2022/23 to be determined)*

- Anti-Fraud and Corruption Policy and Strategy (4 Years)
- Anti-Money Laundering Policy (4 Years)
- Corporate Debt Policy (4 Years)

Cyclical Items not due this year *(unless policy or legislation changes require amendments prior to review date)*

- Internal Audit Charter June 2024
- Whistleblowing Policy June 2024
- ARMC Terms of Reference December 2024
- External Auditor Appointment Process Dec 2026 – Feb 2027

Audit and Risk Management Committee Training sessions 2023/24

- Introduction to ARMC (For new members if required) July 2023
- Statement of Accounts September 2023
- Internal Audit Process November 2023
- GDPR / RIPA Training February 2024

Audit and Risk Management Committee Action Plan

Title	Comments	Due by	RAG
Independent Member appointment	A report was presented to the committee in July 2022, with the committee agreeing in principle to progress with an independent member appointment to ARMC. Further report outlining skills analysis and job description to be brought back to ARMC for recommendation to Council.	July 2023	Not due yet
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	Ongoing	

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2023-24

Abbreviations Used in Audit & Risk Management Committee

AGS	Annual Governance Statement
ARG	Additional Restrictions Grant
ARP	Anglia Revenue Partnerships
BCP	Business Continuity Planning
BEIS	The Department for Business, Energy and Industrial Strategy
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIS	Commercial Investment Strategy
CMT	Corporate Management Team
CNC	CNC Building Control
CPCA	Cambridgeshire & Peterborough Combined Authority
CPE	Civil Parking Enforcement/
CPLRF	Cambridgeshire & Peterborough Local Resilience Forum
CTS	Council Tax Support
DFG	Disabled Facilities Grants
DPA	Data Protection Act
CSR	Comprehensive Spending Review
FFL	Fenland Future Ltd
GDPR	General Data Protection Regulations
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
LGA	Local Government Association
LGSS	Local Government Shared Services
LRSG	Local Restrictions Support Grants
MHCLG	Ministry of Housing Communities and Local Government
MoU	Memorandum of Understanding
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
MTSP	Management, Trade Union & Staff Partnership
NFI	National Fraud Initiative
NNDR	National Non-Domestic Rates
OIB	Operational Improvement Board (ARP)
OLTL	Other Long-Term Liabilities
PPA	Post Payment Assurance
PSAA	Public Sector Auditor Appointments
PSIAS	Public Sector Internal Audit Standards
PWLB	Public Works Loan Board
RIPA	Regulation of Investigative Powers

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