

AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 20 NOVEMBER 2023

4.00 PM

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

Committee Officer: Jo Goodrum
Tel: 01354 622285
e-mail: memberservices@fenland.gov.uk

- 1 To receive apologies for absence.
- 2 Previous Minutes. (Pages 3 - 6)

To confirm the minutes of 26 September 2023.
- 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 Auditor's Annual Report 2021/22. (Pages 7 - 24)

To receive the independent external auditors, Ernst &Young (EY), Annual Report for 2021/22.
- 6 Treasury Management Strategy Statement and Annual Investment Strategy Mid Year review (Pages 25 - 34)

The purpose of this report is to review the Council's Treasury Management activity

for the first six months of 2023/24 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

7 Internal Audit Plan 2023/24 - progress report Q2 (Pages 35 - 44)

To report progress against the Internal Audit Plan 2023/24 for the second quarter of 1 July 2023 until 30 September 2023 and to provide an update on the resourcing situation within the Internal Audit team.

8 Corporate Risk Register Update (Pages 45 - 76)

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

9 Audit & Risk Management Committee Work Programme (Pages 77 - 80)

For information purposes.

10 Items of Topical Interest.

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

Friday, 10 November 2023

Members: Councillor K French (Chairman), Councillor S Harris (Vice-Chairman), Councillor G Booth, Councillor G Christy, Councillor J Mockett and Councillor S Tierney

AUDIT AND RISK MANAGEMENT COMMITTEE

**TUESDAY, 26 SEPTEMBER 2023 - 4.00
PM**



PRESENT: Councillor K French (Chairman), Councillor G Christy, Councillor J Mockett and Councillor S Tierney

APOLOGIES: Councillor G Booth

OFFICERS IN ATTENDANCE: Mark Saunders (Chief Accountant), Peter Catchpole (Corporate Director and Chief Finance Officer) and David Thacker (Interim Internal Audit Manager)

ARMC10/23 PREVIOUS MINUTES.

The minutes of the meeting held on 24 July 2023 were confirmed and signed as an accurate record.

ARMC11/23 AUDIT RESULTS REPORT 2021/22

Members considered the Audit Results report for 2021/22 presented by Mark Hodgson from Ernst & Young (EY).

Members AGREED to note the Audit Results Report 2021/22.

ARMC12/23 STATEMENT OF ACCOUNTS 2021/22

Members considered that Statement of Accounts for 2021/22 report presented by Mark Saunders, Chief Accountant.

Mark Saunders asked that his thanks be recorded to Mark Hodgson, Jacob McHugh and Claire Sulam from Ernst & Young for all their assistance and help in finalising the accounts in what has been an extremely challenging year.

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

- Councillor Tierney stated that officers have done very well and he is pleased that the Auditor has reviewed them so proactively and it is pleasing to hear that they have challenged aspects of the accounts which the Council has been able to address accordingly. He added that, in his opinion, there maybe many councils across the country who would like to find themselves in the same position as Fenland District Council, who appear to have sound finances, are well managed and have everything in order as the Auditor has confirmed and he asked for his thanks to be recorded to everyone involved.

Members APPROVED the Statement of Accounts and Annual Governance Statement for the financial year ending 31 March 2022 and delegated authority to the Chairman of the Audit and Risk Management Committee and the Corporate Director and Chief Finance Officer to agree any future amendments to the Statement of Accounts which may arise prior to the final sign off by the External Auditors.

ARMC13/23 LETTER OF REPRESENTATION 2021/22

Members considered the Letter of Representation presented by Mark Saunders, Chief Accountant.

Mark Saunders explained that the Letter of Representation was designed to confirm that the Council had released all the necessary information to the external auditors.

Members APPROVED the content and form of the Letter of Representation and AGREED that it be signed by the Chairman of the Audit and Risk Management Committee and the Council's Chief Finance Officer.

ARMC14/23 ANTI-FRAUD AND CORRUPTION POLICY

Members considered the Anti-Fraud and Corruption Policy report presented by David Thacker, Interim Internal Audit Manager.

David Thacker explained that it has been some time since the policy was last updated and a lot has changed with regards to the obligations for fraud and corruption and, therefore, a new policy has been written by using the template from Cambridgeshire County Council. He stated that it is slightly more extensive, and it outlines what action the Council will take whenever there is an instance of fraud or any suspected corruption which comes to light. David Thacker stated that the Internal Audit Team does investigate fraud, as it is already built into the processes and functions of Internal Audit and the policy outlines the action that would be undertaken in order to conduct the review of such reports. He stated that it is also incumbent of all officers and members to follow a process if they detect any fraud or corruption.

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

- Councillor Christy stated that it is a very thorough document and he asked how the document is communicated out to staff and members as well as training? David Thacker stated that once the policy is approved it will be added to the Council's website and the internal Intranet for transparency and then it will be circulated in a communication to all staff. He added that he is currently in discussion with the Human Resources team with regards to how the training will be rolled out as each service area will have its own specific audit risks for fraud and corruption.
- Councillor Tierney stated that he is aware that some members of the public perceive that corruption is rife in every council and he has never seen any. He asked whether officers could outline any warning signs to assist people in identifying that there may be an issue. David Thacker stated that fraud and corruption can come at all levels and the fact that the Council interacts with the wider community, there could be kickbacks, for example, and if there is no vigilance over controls, processes and governance there could be instances of careless behaviour.
- Peter Catchpole stated that the External Auditors also look to identify this type of issue and he takes assurances from the External Auditors that everything is in order.

Members APPROVED the updated Anti-Fraud and Corruption Policy.

ARMC15/23 ANNUAL GOVERNANCE STATEMENT 2022 - 23

Members considered the Annual Governance Statement 2022-3 report presented by David Thacker, Interim Internal Audit Manager.

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

- Peter Catchpole clarified with members that they have just approved the Annual Governance Statement (AGS) for 21/22 in the Statement of Accounts and the AGS for 22/23 will eventually be included in the Statement of Accounts for 22/23. He added that the

AGS is a standalone document because of its importance, and it is circulated to Management Team and then it is audited by the External Auditors as part of the 22/23 audit. Peter Catchpole explained that it is a live document although in a draft state, but he explained that he likes members of the committee to see it at its early stages because it is important for the committee to see the whole governance process in which the Council operates and highlight the controls that are in place, hence the importance of the document.

- Councillor Clark asked whether there is a reporting mechanism or log should there be any instances where individuals are found to be not acting with integrity and whether there is anything in place to support that this is working? David Thacker stated that if people do not behave with integrity there is a Code of Conduct in place for members and for officers. He added that there are also conflict of interests logs which will flag up where people are not acting with integrity. Councillor Clark asked where this information is recorded, and David Thacker explained that within Principal A it details where the Council has control around behaving with integrity, the Code of Conduct for Council Members and details concerning the Council's Code of Conduct including capability and disciplinary procedures.
- Councillor Clark asked where this information is recorded in order for it to be measured? Peter Catchpole stated that the Council has a 3c's process which records all the complaints, comments and compliments received along with various registers including gifts and hospitality. He added that any legal advice provided is also recorded and the Monitoring Officer keeps her own list of matters she needs to address when looking at the Code of Conduct. Peter Catchpole explained that the report tries to demonstrate where those issues are and how they can arise in different guises.

Members considered the content of the Annual Governance Statement and APPROVED its content for inclusion in the Council's published Statement of Accounts for 22/23 in November.

ARMC16/23 INTERNAL AUDIT PLAN 2023/24 - UPDATE

Members considered the Internal Audit Plan 2023/24 Progress Report presented by David Thacker, Interim Internal Audit Manager.

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

- Councillor Christy referred to page 251 of the officer's report where it refers to key issues, it mentions the vacancy for the Internal Auditor position, and he asked Peter Catchpole for an updated position with regards to recruitment? Peter Catchpole explained that he has asked David Thacker to undertake his position from a slightly different perspective, due to the fact that the previous Internal Auditor Manager had been in post for a significant period of time, which he explained is not a negative comment but sometimes a fresh approach is a positive step. He added that consideration is being given to extending the Interim post till the end of the financial year and a position for an Internal Auditor commences on the 9 October for the rest of the financial year. Peter Catchpole explained that over the course of the next six months he will be considering the various option for permanently resourcing the Internal Audit service. He added that the recent recruitment process did not receive any applicants and therefore neighbouring authorities are being contacted to consider possible consortiums but there needs to be an opportunity for further considerations whilst also delivering an Audit Plan which will satisfy the committee's requirements and the requirements to have an internal audit opinion for the 23/24 year.

Members AGREED to note the revised Internal Audit Plan for 23/24.

ARMC17/23 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Members considered the Audit and Risk Management Committee workplan.

Peter Catchpole stated that there are some items which have been placed against the month of November, however, they are subject to agreement from External Audit and the position of the External Audit Plan for 22/23 at that time and, therefore, there may be some fluidity with the workplan.

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


ARMC18/23 ITEMS OF TOPICAL INTEREST.

Peter Catchpole stated that members of the committee will beware of the PSAA route that was followed for procurement in light of a very difficult market. He added that the Council has the same auditors, however, there has been an impact with regards to a huge increase in audit fees. Peter Catchpole made the point that base fees have increased by 151% based on procurement only and to attract people into the field, with all the additional work that is required with regards to audit conduct and regulations it has added extra work onto auditors and until such time that there is a change to the Statement of Accounts requirements, audit fees will suffer significant increases. Peter Catchpole explained that the baseline for 23/24 has gone up from £57,373 to £144,000, which equates to an annual audit fee baseline based on the current standards and current regulations. He stated that the 151% procurement uplift is the same for every local authority across the country.

4.49 pm

Chairman

Agenda Item 5

Agenda Item No:	5	
Committee:	Audit and Risk Management Committee	
Date:	20 November 2023	
Report Title:	Auditor's Annual Report 2021/22	

Cover sheet:

1 Purpose / Summary

To receive the independent external auditors, Ernst &Young (EY), Annual Report for 2021/22.

2 Key issues

- The external audit findings for 2021/22 have been reported to the Audit and Risk Management Committee throughout the year. The Auditor's Annual Report brings together all the auditor's work over the year.
- The external auditors Audit Results Report for 2021/22 was presented to this committee on 26 September 2023, confirming an unqualified opinion on the Financial Statements for 2021/22.
- A core element of the Annual Report is the commentary on Value for Money (VFM) arrangements (pages 6 to 8 and Appendix A of the attached report). In all aspects of the VFM assessment, the Council had the arrangements in place that EY would expect to see. As a result of the VFM procedures carried out, EY have not made any recommendations.
- EY have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The guidance for 2021/22 is yet to be issued. We are not expecting any issues relating to this work. Once EY have completed this work they will issue their audit certificate and we will be able to publish the Notice of Conclusion of Audit 2021/22 on our website.

3 Recommendation

- It is recommended that Members note the content of the report.

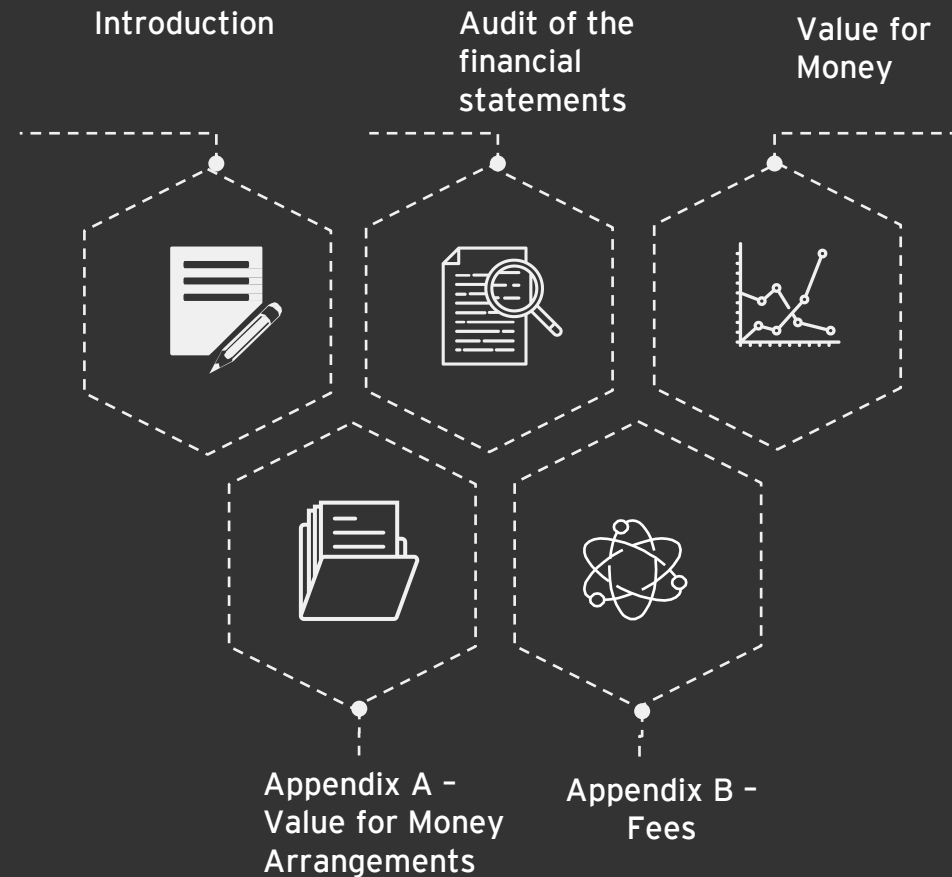
Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Kim French, Chairman of Audit and Risk Management Committee Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	2021/22 Audit Results Report (ISA260)

**Fenland District Council
Auditor's Annual Report**

Year ended 31 March 2022

5 October 2023

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Risk Management Committee and management of Fenland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit and Risk Management Committee and management of Fenland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit and Risk Management Committee and management of Fenland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 18 June 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on the 27 September 2023.
Going concern	We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary on page 6 through to 8 and Appendix A.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	<p>We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts and submitted the Assurance Statement to the NAO on the 26 September 2023.</p> <p>The NAO as group auditor has not yet confirmed whether any further assurances or procedures will be required from us as component auditors of Fenland District Council. We will liaise with the Council if and when any additional procedures are required.</p>
Certificate	We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Fenland District Council.



Audit of the financial statements (continued)

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 27 September 2023, we issued an unqualified opinion on the financial statements. We presented our findings to the Audit and Risk Management Committee on the 26 September 2023. The detailed findings from our audit are contained within the Audit Results Report.

We outline the key issues identified as part of our audit, reported against the significant risks that we included in our Audit Plan.

During the audit, we did not identify any significant deficiencies in internal control.

Significant risk	Conclusion
Risk of fraud in revenue and expenditure recognition	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We did not identify any instances of inappropriate judgements being applied or any management bias in accounting estimates.</p>
Misstatements due to fraud or error - inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	<p>On every audit engagement, we expect at least one of the identified significant risks to have an element of management override. Where this element has been identified, we must be specific about the risk (management bias, management optimism, etc.) and ensure we design our procedures to address this risk.</p> <p>Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
Accounting for Infrastructure Assets	<p>An issue was raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned. This matter was under consideration by CIPFA and given the Council hold material Infrastructure Assets Net Book Value of £5.4 million at 31 March 2022 (£5.06 million at 31 March 2021), we raised a significant risk in this area.</p> <p>We have completed our work on above procedures and based on the work carried out, we have obtained reasonable assurance that Infrastructure Assets are free from material misstatement due to components not being derecognised as and when they are replaced or decommissioned.</p>

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Audit & Risk Management Committee meeting on the 05 September 2023, which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the relevant finance officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures in September 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We did not identify any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 7 to 8. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22, where applicable.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

During 2021/22 the Council have continued to manage the impact of Covid on their finances, as well as additional challenges towards the end of the financial year such as the war on Ukraine and the cost-of-living crisis linked to inflation. The direct financial impact of the pandemic has lessened from previous years, as the immediate business response to Covid has slowed.

The final outturn on the General Fund for the year was a surplus of £0.584 million, compared to revised budgeted shortfall of £0.243 million. This predominantly related to costs that were budgeted for but which ultimately were not incurred, or additional income receipts from central government. There was a net underspend on services of £0.827 million which is spread across a number of individual services. This was caused by a variety of reasons, including staffing vacancies, higher than budgeted income from Central Government as part of Business Rates and other Covid support, and higher management fees received from Freedom Leisure.

A total of £1.2 million of planned and approved Capital Spending costs were underspent due to slippages or delays in the Capital Programme, and re-profiling of several of the high-profile grant-funded regeneration schemes which the Council is currently delivering at various locations across the District. These costs will therefore carry forward into future financial years budgets.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services. The latest published financial information shows a balanced budget for the financial years 2022/23 to 2023/24. Subsequent to those years, savings of £0.739 million need to be identified in 2025/26 to achieve an in year balance budget.

At the 31 March 2022, the Council held a General Fund balance of £2 million, which is the set minimum level of the General Fund balance. Together with further Earmarked General Fund Reserves of £12.34 million (including Budget Equalisation Reserve of £1.06 million), provides a strong level of resources if future savings are not identified or achieved in each of the 5 financial years of the Medium Term Financial Strategy, allowing the Council to continue to deliver the current level of services.

The Council should continue its assessment of the annual savings requirement and identify the relevant schemes to achieve those annual savings requirements, so as to minimise the further use of reserves where possible.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council have continued to manage governance considerations in response to the pandemic, including in partnership working and delivery of services with other local authorities. The development of the Council's Medium Term Financial Strategy (MTFS) is integrated with the production of the Council's Business Plan. The budget is part of these documents. These are discussed with the Corporate Management Team and the wider Management Team consisting of all Heads of Service. The Council reviewed the Budget Report in February 2021, with the Medium Term Financial Strategy updated during the year. Both documents were taken to the Cabinet and Overview and Scrutiny Panel before final approval at Full Council, which ensures that all Members are kept well informed of the process.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. The Head of Internal Audit concluded that for the 2021/22 financial year, adequate assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment'.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

The Business Plan sets out the Council's ambitions and priorities. The Business Plan has corporate priorities which are then cascaded down to team priorities. Achievement of corporate priorities is monitored regularly via the performance monitoring framework and monitoring reports to Portfolio Holders, the Overview and Scrutiny Committee and Full Council. Progress against intended outcomes is reported in the Council's Annual Report.

The Chief Executive presents the progress against the Council's Performance Indicators annually to the Overview and Scrutiny Committee. This is informed by management meetings that the Chief Executive chairs with the Heads of Services throughout the year. The Overview and Scrutiny Committee also has ad hoc reviews to go over some of the performance areas that are being monitored. The Council has consistently secured Customer Service Excellence accreditation. This demonstrates how the Council uses external and internal feedback to drive improvement in the quality of the services its customers receive.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices



Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The development of the Council's Medium Term Financial Strategy (MTFS) is integrated with the production of the Council's Business Plan. The budget is part of these documents. These are developed through a close working between officers and members, which ensures the Council's financial plan takes into account member priorities and service developments which officers are aware of. The Business Plan and MTFS is discussed with the Corporate Management Team and the wider Management Team consisting of all Heads of Service. Regular portfolio-holder briefings with the Leader and Finance Portfolio Holder ensure members are fully apprised of relevant developments at an early stage.

The MTFS and the Business Plan goes out to officers in December each year and are finalised in February as part of the budget setting process.

How the body plans to bridge its funding gaps and identifies achievable savings

The latest published budget has a balanced budget for the next financial year (2023/24), and a forecasted shortfall of £2.3 million by end of 2027/28. The Council holds a Budget Equalisation Reserve - which is held purely to cover deficits in future years should the Council wish to do so.

The updated shortfall places even more emphasis on achieving savings and/or additional income through, for example the transformation programme agenda two (TA2) which is currently being developed. The savings from the projects within the programme (in addition to the reduction in overtime and agency expenditure) is forecasted to deliver £2 million over the medium term.

This is part of the 'My Fenland' transformation programme that the Council has put in place in 2019. In the first two phases, 'My Fenland' has significantly reduced the size of the establishment by streamlining existing processes through improved use of technology. Phase 2 has culminated in a reduction of 9 FTE posts, which was implemented in April 2021. The transformation programme agenda one (TA1) is on track to deliver over £1 million savings over the medium term. The next phase of 'My Fenland' has started to examine which tasks undertaken in the planning team could be moved into the My Fenland area. The 'My Fenland' programme is constantly evolving in terms of what savings can be achieved. There is a steering group made up of senior officers in place.

Additionally, the Council is making good progress as part of the implementation of its Commercial and Investment Strategy, which involves the generation of additional sources of income to reduce the need for savings to be found.

Appendix A - Summary of arrangements (continued)

Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has been successful in identifying grant funding to deliver investment in the District. By harnessing external funding, the Council is able to deliver member's priorities without depleting reserves or drawing on external borrowing. The Council has also set aside a reserve balance of £0.500 million for potential future changes to the business rates system which could be financially detrimental to the Council. In addition, the Council has established a 'Budget Equalisation Reserve' to help smooth out any volatility in the Council's budget position over the medium term. This reserve has a balance of £1.06 million at 31 March 2022.</p> <p>The Council has a Business Plan in place, which is reviewed and updated every year. When the annual report is produced every year, it links back to the Council's performance indicators and provides a traffic light rating.</p> <p>The Council have recognised challenges in 2021/22 in respect of on-going implications of the Covid-19 pandemic and subsequent "cost of living crisis" linked to inflation. Council have accelerated the pace of customer services transformation - work to provide more modern, efficient, and flexible ways to access services has been a Council priority for some time, but the rapid uptake of digital technologies during the pandemic meant that the Council had to fast-track years of progress in a matter of months. Meeting the challenges of Covid has also enabled more collaboration with partners, stakeholders and communities, and a greater pooling of combined resources. During 2021/22, the Council continued to financially support the Leisure Management contactor (Freedom Leisure) as they continued their Covid-19 recovery plan for the Council's Leisure Centres. This ensured all the Council's Leisure Centres remained open following the easing of Covid restrictions. This support continued into 2022/23 to assist Freedom Leisure with the unprecedented rise in energy prices and to ensure all centres remained open.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>This is built into the business planning process. The Capital Strategy is developed alongside the Medium Term Financial Strategy. There is some cross-working with the Combined Authority and the County Council on policy areas where there might be some cross-over, such as transport, or social care. The Council is also part of the Anglia Revenues Partnership, which helps foster a joined-up approach to issues linked to welfare benefits.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council prepares an amended budget in December, which goes to Cabinet for review. This will include the revised projections for the current financial year, and updates members on financial developments since the February budget. The Finance Team will reflect on discussions with the Heads of Service and provide a revised projection for each Service. There are no formal Performance Reports presented to Cabinet or any other Committee, but the finance team produces Portfolio Holder Briefing reports and these are discussed at the Council. Financial risks would be identified at Corporate Management Team discussions with the Head of Human Resources and Organisational Development, and they would be included in the Council's Risk Register.</p>

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a Risk Register in place. The Head of ICT, Digital and Resilience has overall responsibility for the Risk Register. The register is considered at management level and taken to the Audit and Risk Management Committee.

The risk register is presented 4 times a year to the Audit and Risk Management Committee. Individual officers would have the responsibility for monitoring the risks to their services.

The Council has an Internal Audit function in place, which is led by a CIPFA-qualified Internal Audit Manager. The Internal Audit Plan for the year was presented and discussed at the Audit and Risk Management Committee. Internal Audit also present regularly to the Committee throughout the year about their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year.

How the body approaches and carries out its annual budget setting process

Meetings are held between the Finance team and all Heads of Service to discuss individual Service budgets in detail. Detailed discussions also take place between the Finance Team and the Leader and Finance Portfolio Holder during the budget setting process.

The draft budget is considered by Cabinet in December prior to be being considered by the Overview and Scrutiny Committee in January. The meeting in January includes a detailed examination of proposals relating to fees and charges. Consultation for the budget also takes place via the Council's website at the start of each year. The final Budget is approved by Cabinet and Council in February each year.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Budget monitoring information is circulated every other month to the Corporate Management Team and the Heads of Service. This includes projections for the year-end position as well as information concerning the year-to-date. Prior to being distributed, the monitoring information is subject to detailed review by the Deputy Chief Accountant and/or the Chief Accountant.

Monitoring information is discussed at monthly meetings throughout the year between the Finance Team and the Leader and Portfolio Holder for Finance.

Portfolio holder briefing reports include performance against Performance Indicators, and updates about events going on in the Council. These reports are prepared quarterly and are discussed at meetings of the Full Council.

Appendix A - Summary of arrangements (continued)

Governance (continued)

Reporting Sub-Criteria

Findings

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Council employs a qualified solicitor who advises CMT on the legal implications of all proposed decisions. All Cabinet reports get circulated to the Corporate Management Team (CMT). CMT includes the Monitoring Officer, Chief Executive, and the S151 officer so they would input whether additional consideration needs to be included.

The Full Council is the key decision-making body. Every elected member of the Council is able to attend these meetings and has a vote on all decision items. A decision also requires a majority of voting members approval in order to be passed.

At the Cabinet level, there is a call-in process for decisions, whereby after the decision is taken there is an opportunity to call-in. No decision can be implemented until this period has elapsed. This process is detailed in the Council's Constitution.

The Council merged its Staff Committee and Corporate Governance Committee in December 2020, and renamed it the Audit and Risk Management Committee with staffing matters being determined by the Audit and Risk Management Determination Sub-Committee, so that the governance responsibilities are appropriately demarcated from the decision making role it has for Staff related matters. The Terms of Reference also include the responsibility to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

The Audit and Risk Management Committee meets five times a year. The Committee is comprised of appropriately skilled members. Training is provided to members, and the Finance team works with the Chair of the Committee to identify training needs. Members can ask via the Chair for their training needs to be considered.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council has outlines Codes and Protocols, which include a Code of Conduct For Members and a Code of Conduct for Employees. There is a Gifts and Hospitality Register. Committee meetings all have a standing agenda item for the formal declarations of interests. Declarations for related party transactions are done annually, and this is overseen by Member Services and updated into the Council's website.

The Monitoring Officer is legally responsible for monitoring the compliance of the Council's policies. The Monitoring Officer deals with any complaints that are raised. The Council has a formal whistleblowing policy in place, with appropriate prominence on the Council's website and for staff.

The Council's policies are reviewed and updated on a regular basis.

Appendix A - Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p>	<p>Financial and performance information has been central to the My Fenland process. Call data was analysed to identify the number of calls being handled per hour which indicated the opportunity to reduce the headcount without negatively impacting on the service staff receive. Regular exercises are in place to ensure that services which the Council provides to residents recover the associated costs.</p> <p>Financial performance is reported in the context of budget-setting and approval of the outturn, although additional information would be provided if necessary to take forward projects where additional resources need to be allocated. More performance information is contained in the quarterly Portfolio Holder Briefing reports produced, and these link back to the Business Plan.</p>
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Chief Executive presents the progress against the Council's Performance Indicators annually to the Overview and Scrutiny Committee. This is informed by management meetings that the Chief Executive chairs with the Heads of Services throughout the year. The Overview and Scrutiny Committee also has ad hoc reviews to go over some of the performance areas that are being monitored. The Council has consistently secured Customer Service Excellence accreditation. This demonstrates how the Council uses external and internal feedback to drive improvement in the quality of the services its customers receive.</p>
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>The Council's most significant partnership is the Anglia Revenues Partnership (ARP). There is a joint committee for ARP with representatives from each of the five Councils that constitute the Partnership. The Joint Committee meets quarterly and they consider performance against key areas, they monitor the ARP risk register, and consider any other items of relevance to their service delivery.</p> <p>The Council is also a member of CNC which provides building control services to the Council and other members. A member of the Council's CMT attends all CNC board meetings.</p>
<p>How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits</p>	<p>The Council has a full-time Procurement Manager who reports to the Head of Legal and Governance. Officers are regularly reminded of the Council's procurement policies at management team meetings and via briefings on the website. The Procurement Manager actively review purchase orders to confirm procurement has been undertaken in line with Council policy and statutory requirements.</p>

Appendix B - Fees

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

Description of service	Related independence threat	Safeguards adopted and reasons considered to be effective
Housing Benefit Claim Certification - Agreed upon Procedures on behalf of the Department for Work & Pensions (DWP)	<p>The Housing Benefit Claim contains the amounts the Council paid out to claimants and the amount it received from the DWP in terms of subsidy. These amounts are shown within the Council's financial statements.</p> <p>There is no perceived threat as we audited the Council's financial statements in advance of the claim certification procedures and gained sufficient audit evidence for audit opinion purposes.</p>	None required

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm we have not undertaken any non-audit work except for the stated Agreed Upon Procedures in relation to the Housing Benefit grant certification.

Appendix B - Fees

Relationships, services and related threats and safeguards

Audit Fees

Our fee for 2021/22 is in line with the audit fee reported in our Final Audit Results Report dated 5 September 2023.

Description	Final Fee 2021/22 £'s	Scale Fee 2021/22 £'s	Final Fee 2020/21 £'s
Initial Scale Fee - Code work	37,873	37,873	31,873
Fee Variation - Determined	-	-	29,984 (Note 1 & 2)
Fee Variation - Proposed - as a result of other additional procedures required to address audit risks in the conclusion of our audit	90,081 (Note 3)		
Revised Scale Fee	TBC	37,873	67,857
Agreed Upon Procedures - Housing Benefit Subsidy (Certification Assurance Work)	TBC	-	19,000
Agreed Upon Procedures - Harbour Authority assurance	3,200 (Note 4)		2,900

Note 1 - PSAA Ltd determined the 2020/21 Fee Variation on 30 June 2023.

Note 2 - We proposed an increase to the base scale fee of £55,889 for 2020/21 to reflect the cost of increased regulatory requirements as well as to reflect the additional work required to address specific risks. PSAA have determined a final additional fee for 2020/21 of £29,984 in relation to these areas. For 2021/22, the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to any further notified annual price uplifts.

Note 3 - As set out in the Audit Results Report, we have had to perform additional audit procedures to respond to the associated audit risks identified, as well as respond to the control deficiencies identified, and as a result of other issues that emerged during the audit. We will quantify this through the PSAA fee variation model. This additional fee will be communicated to Management and will then be submitted for determination by PSAA Ltd. We will provide an update on the final determined fee implications separately to the Audit & Risk Management Committee.

Note 4 - This fee is for additional work on the Harbour Accounts prepared annually by the Council in line with the reporting regulations subject to audit.

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ED None

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Agenda Item 6

Agenda Item No:	6	
Committee:	Audit and Risk Management Committee	
Date:	20 November 2023	
Report Title:	Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2023/24	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2023/24 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

2 Key issues

- The Council has operated within its Treasury Management Strategy Statement (TMSS), Annual Investment Strategy, treasury limits and prudential indicators set by Council for the first six months of 2023/24.
- Forecasts are that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.
- Forward projections for PWLB certainty rates are forecast to fall back over the next two to three years as inflation dampens.
- Prudential indicators have been updated to reflect the latest capital programme and borrowing projections.
- No new external borrowing has been taken out to date in 2023/24. The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2026.
- Investment income received from temporary investments (call accounts and fixed term deposits) for the first six months of 2023/24 was £490k. The 2023/24 budget of £550k is expected to be exceeded.
- Projected income from property funds for 2023/24 is forecast at £130,000 against an original budget of £150,000.
- Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

3 Recommendations

It is recommended that Members note the report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Background Paper (s)	Link Asset Services template Council Report - 20 February 2023 - General Fund Budget 2023/24 and Capital Programme 2023-26

Report:

1 Context

- 1.1 The Council's responsibilities in relation to Treasury Management are defined as part of the Local Government Act 2003 ('the Act'). The Act requires the Council to have regard to the Treasury Management Code published by the Chartered Institute of Public Finance and Accountancy, (CIPFA).
- 1.2 Additionally, there is a statutory requirement for the Council to comply with the Prudential Code. There is a close interaction between the Treasury Management Code and the Prudential Code. The Prudential Code establishes a framework for the Council to self-regulate the affordability, prudence and sustainability of its capital expenditure and borrowing plans whilst the Treasury Management Code is concerned with how the Council uses its Treasury Management function to progress the future plans developed with reference to the Prudential Code.
- 1.3 In December 2021, CIPFA issued revised Prudential and Treasury Management Codes. These require local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments.
- 1.4 The Council's Capital Strategy for 2023/24 was approved by Full Council on the 20 February 2023.

Treasury Management

- 1.5 Treasury management is defined as "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."
- 1.6 The Council complies with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2021).
- 1.7 The primary requirements of the Code applicable to the 2023/24 financial year are as follows:
 - Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Receipt by Full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies (including Mid-year Review Report) to a specific named body. For this Council the delegated body is the Audit and Risk Management Committee.
- 1.8 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:

- an economic update for the first six months of 2023/24 taking account of expert analysis provided by the Council’s Treasury Management Advisors, Link Asset Services;
- a review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- the Council’s capital plans;
- a review of the Council’s investment portfolio for 2023/24;
- a report of the Council’s borrowing strategy for 2023/24;
- a report of debt rescheduling during 2023/24;
- a review of compliance with Treasury and Prudential Limits for 2023/24.

2 Economic Update

- 2.1 The start of 2023/24 has been dominated by high inflation and the measures of the Monetary Policy Committee (MPC) to bring inflation in line with Central Government 2% target. The MPC have increased interest rates by 100 basis points, taking Bank Rate to 5.25% and possibly the peak in the tightening cycle.
- 2.2 In its latest monetary policy meeting on 2 November, the Bank of England left interest rates unchanged at 5.25%. The weak August/September CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The commentary supports the views that from the MPC that rates will be “sufficiently restrictive for sufficiently longer” support the views that rates will now stay at or their peak for an extended period of time.
- 2.3 Further down the road, it is anticipated that the Bank of England will be keen to loosen monetary policy once 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.

3 Interest Rate Forecast

- 3.1 The Council’s treasury advisor, Link Group, provided the following forecasts on 7th November 2023 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

- 3.2 The latest forecast on 7th November 2023 sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.
- 3.3 Gilt Yields/PWLB Rates – Gilt yield curve movements have broadened since the last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

4 Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Council on 20 February 2023. There are no policy changes to the TMSS.
- 4.2 Changes are required to some of the prudential indicators as a result of the forecast 2023/24 capital outturn. The following table compares the previous prudential indicators (agreed on 20th February) against the latest revised indicators.

Prudential Indicators	2023/24 Previous £000	2023/24 Revised £000
Capital Programme	20,572	22,713
Capital Financing Requirement	19,461	18,026
Gross Debt	19,051	17,403
Operational Boundary	37,477	18,405
Authorised Limit For External Debt	41,477	22,405

5 The Council's Capital Position

- 5.1 This part of the report is structured to update:
- the Council's capital expenditure plans;
 - how these plans are being financed;
 - the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
 - compliance with limits in place for borrowing activity.
- 5.2 An update capital programme and the financing of that programme for 2023/24 is to be presented to Cabinet for approval on 18 December 2023. This revised estimate will address amendments to the programme since February, including re-profiling schemes from 2022/23 and the allocation of further capital funds for, energy efficiency works at leisure centres, construction of the Wisbech pavilion, concrete repairs at the suspended quay Wisbech and a re-assessment of resources available in the period 2023-26. The tables in this report reflect this updated programme.
- 5.3 From February 2020 the programme has reflected the Council's decision to allocate £25m to take forward schemes in accordance with the Council's Commercial and Investment Strategy. Members will be aware that the Investment Board approved the purchase of an investment and residential properties in previous years.
- 5.4 In 2023/24 £4m of funding has been allocated towards the purchase of 29 properties to house resettled Ukraine/Afghan families and households facing homelessness as part of the governments Local Authority Housing Fund Programme. The remaining Commercial and Investment Strategy allocation funding has been profiled to reflect the anticipated timing of future projects, including those due to be delivered by Fenland Future Limited. However, the Investment Board retains the discretion to vary when the available funds are utilised over the life of the programme.

5.5 The table below compares the revised estimates with the original capital programme which was incorporated into the 2023/24 Treasury Management Strategy Statement (TMSS).

Capital Programme	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Current Forecast Expenditure	20,572	22,713
Financed by:		
Capital Grants	9,600	12,501
Section 106's & Contributions	45	25
Capital Receipts	250	155
Capital Reserves	149	452
Total Financing (before borrowing)	10,044	13,133
Borrowing Requirement	10,528	9,580

5.6 The capital expenditure plans set out above 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.

5.7 The Council's projections for borrowings in 2023/24 are summarised below. The following table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement – CFR). The revised estimated CFR is lower than the original budget forecast (see paragraph 5.2 to 5.4 above).

External Debt Projections	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
External Debt at 1 April	8,523	7,823
Prudential Borrowing	10,528	9,580
Gross Debt at 31 March	19,051	17,403
Capital Financing Requirement at 31 March 2024	19,461	18,026
Borrowing Less CFR – 31 March 2024	(410)	(623)

5.8 The Council has made provision to repay all 'borrowing' liabilities through increased Minimum Revenue Provision (MRP) in the General Fund revenue budget.

5.9 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within 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

CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need. The policy permits borrowing in advance of need where it is prudent to do so. Members should note that the current limits and estimates set out below have been determined with reference to the existing capital programme.

- 5.10 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	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Debt	15,500	12,400
Plus Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	20,977	5,005
Operational Boundary for Year	37,477	18,405

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

Authorised Limit For External Debt	2023/24 Original Estimate £000	2023/24 Revised Estimate £000
Debt	19,500	16,400
Plus Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	20,977	5,005
Total Borrowing	41,477	22,405

- 5.12 The Corporate Director & Chief Finance Officer reports that no difficulties are envisaged for the current year in complying with the above prudential indicators.

6 Investment Portfolio

- 6.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 6.2 The current forecasts for bank rate are shown in paragraph 3.1 above.
- 6.3 The Council held £28.679m of investments, including property funds at 30th September 2023 (22.550m at 31st March 2023). The investment portfolio yield from temporary investments (call and fixed term deposits) for the first 6 months of the year was 4.72% (7 day backward looking average Sonia Rate 4.71%).
- 6.4 It should be noted that the value of investments remains high due to the distorting impact of capital and revenue grants paid in advance or during the first 6 months of this financial year. Some of this funding has not been spent in the first six months of this year. However, it is expected that a significant proportion of this grant funding advanced will be spent or repaid in the next 6 months and consequently investment balances will be lower by the end of this financial year.
- 6.5 The Council has achieved investment income of £490k to 30th September 2023. The 2023/24 budget of £550k is expected to be exceeded. With the Bank of England base rate rising steadily since April 2023, interest rates and therefore income returns have increased significantly.
- 6.6 £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 (from quarterly cash distribution payments) and long-term price stability. The Council views these as a long-term investment that it has entered into for a minimum of five years as this manages the risk of fluctuations in the value of the investment which was £3.379m at 30 September 2023. Since mid-2022 commercial property market has had a difficult time in general as property prices fell sharply in response to high inflation, rising interest rates and increased debt costs which accounts for the fall in value. Income flows to property have remained strong and distributions from the fund are not affected by the movement in capital value. The distributions payable for the first quarter was £31,883 (second quarter returns are expected in November), which is a 3.77% distribution return.
- 6.7 The 2023/24 projected outturn for property fund income is £130k against a budget of £150k.
- 6.8 The Corporate Director and Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2023/24.

7 Borrowing Strategy


- 7.1 The Council's estimated CFR for 2023/24 is £18.026m (including finance lease borrowing facilities). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.
- 7.2 No new external borrowing has been undertaken during 2023/24 to date. The Council has utilised surplus cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.
- 7.3 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2026. Assumptions about

the level of external interest payable are included within the budget. 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 the annual treasury management report.

8 Debt Rescheduling

- 8.1 Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

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Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	20 November 2023	
Report Title:	Internal Audit Plan 2023-24 Progress Report Q2	

1 Purpose / Summary

- To report progress against the Internal Audit Plan 2023/24 for the second quarter of 1 July 2023 until 30 September 2023 and the resulting level of assurance from the planned work undertaken.
- To provide an update to members on the resourcing situation within 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 Internal 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 2023/24 on 20 March 2023. It was updated following a detailed review in early Q2 and submitted and approved by the Committee on 26 September 2023.
- 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 Internal 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 Chris Boden – Leader and Finance Portfolio Holder Councillor Kim French - Audit and Risk Management Committee Chairperson
Report Originator(s)	David Thacker – Interim Internal Audit Manager
Contact Officer(s)	Amy Brown – Assistant Director, Legal and Governance abrown@fenland.gov.uk 01354 622450 Peter Catchpole - Corporate Director & s151 Officer pcatchpole@fenland.gov.uk 01354 622201 David Thacker – Interim Internal Audit Manager
Background Paper(s)	Annual Risk-Based Internal Audit Plan 2023/24 Internal Audit Outturn and Quality Assurance Review 2022/23

1 Background / Introduction

- 1.1 This report includes details of the Internal Audit activity undertaken for the second quarter of 1 July 2023 to 30 September 2023.
- 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; and
 - changes in service demand.
- 1.3 In respect of Internal Audit resources, the permanent Internal Auditor resigned at the end of June and left the Council on 28 July. No permanent replacement had been sought at the time of the resignation. Hence, with no immediate replacement and the remaining Internal Auditor being part-time and not working during school holidays, the Committee was advised that no audit work could be undertaken in August. However, management gave approval to hire an interim Internal Auditor until the end of the financial year to help deliver the Audit Plan and the process started in September.
- 1.4 Additionally, the Council was unsuccessful with filling the vacant Head of Audit position, as no applications were received by the closing date of the end of July. Management continues to review options including requesting assistance from other surrounding authorities. However, for continuity, there is the option to offer to extend the current interim Internal Audit Manager's contract to the end of March 2024.

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 has been agreed with service managers to address any observations and recommendations raised by the Internal Auditor. Progress on recommendations is monitored on a regular basis and no less frequent than quarterly.

- 2.2 The following audits have been completed up to end of Q2 2023/24. (Appendix A)
- Public Health Funerals (22/23)
 - Licences – Animal Welfare (22/23)
 - Licences – Other (22/23)
 - Corporate Assurance – Transparency
 - Housing Options (22/23)
 - Trading Operations – Cemetery Income
- 2.3 The following audits are in progress and will be reported to the committee in future progress reports:
- Freedom of Information
 - Development – Planning (combined with Fee Income)
 - Corporate Assurance – Information & Data Management
 - Debtors & Collection Agency
- 2.4 In the second quarter of the year other work that Internal Audit has been involved to assist with and to provide additional assurance are detailed below:
- Disabled Facilities Grants (DFG) declaration
 - Updating the Anti-Fraud & Corruption Policy
 - National Fraud Initiative work
 - Risk Management Group
 - Major Project support and advice
 - Following up outstanding recommendations
- 2.5 In respect of the last point, Appendix B shows the number of outstanding Audit issues from 2021/22 to 2023/23 to date. Internal Audit is working with Service Managers to ensure that recommendations are implemented by the agreed target dates or, if not, that requested date extensions can be justified. Status updates have been included where relevant.

Appendix A – Completed Audits 2023/24

Audit	Overall Opinion	High	Medium	Low	Issue Summary & Status (<i>in italics</i>)
<p>Public Health Funerals (2022/23)</p> <p>To gain assurance that the Council is fulfilling its obligation to provide a public health funeral as required and that robust policies and procedures are in place to ensure a recourse of public funds.</p>	Adequate	1	1	-	<p>The high-risk issue relates to unlimited access to the shared safe at the BASE where the small contents from the deceased are stored, e.g., cash, along with other service's items. <i>This will be addressed soon with the purchase of a separate safe. Cash is banked immediately now.</i></p> <p>The medium risk relates to no updated procedures, a key person risk and no record of possessions removed from a deceased person's property. <i>An inventory is in place now. Key person risk and procedures will be addressed by 31 December 2023.</i></p>
<p>Licensing – Animal Welfare (2022/23)</p> <p>To gain assurance that the Council has robust procedures for the licensing of activities involving animals.</p>	Substantial	-	-	-	No issues raised.
<p>Licensing – Other (2022/23)</p> <p>To gain assurance that the Council has robust procedures and guidance in place demonstrating appropriate issuance and monitoring of other licenses, such as scrap</p>	Adequate	-	1	-	<p>The medium risk issue relates to no control check in place for potential members of public or businesses operating without a licence for scrap metal, small society lotteries, street collections, house to house collections and gambling. <i>The process will be in place by 31 January 2024.</i></p>

Appendix A – Completed Audits 2023/24

metal dealers and small lotteries.					
<p>Corporate Assurance – Transparency</p> <p>To gain assurance that the Council complies with the Local Government Transparency Code 2015.</p>	Adequate	-	2	-	<p>The medium risk issues relate to:</p> <ul style="list-style-type: none"> • A lack of updated information on the Council's website that is not in compliance with the Local Government Transparency Code 2015. <i>Ten of the eleven data sets are now up to date. The only outstanding one is the Senior Salaries – last published as part of the Statement of Accounts 21/22 (awaiting publishing of the draft 22/23 accounts).</i> • Raising the profile of compliance with service managers for timely updates. <i>This will be completed by 31 March 2024.</i>
<p>Housing Options (2022/23)</p> <p>To gain assurance that there are adequate controls and procedures in place for the monitoring, recording and payment of housing option services.</p>	Adequate	-	4	-	<p>The medium risk issues relate to:</p> <ul style="list-style-type: none"> • High usage of B&B and a considerable increase in hotel/hostel spend – over £1.2m since April 2020 – with no evidence of value for money. <i>By the end of this financial year, we will have an additional 34 properties for use of Temporary Accommodation that will bring this cost down significantly over the medium term along with a healthy new build pipeline programme and improved void letting performance from our Registered Provider (RP) partners.</i> • Non-compliance with the Council's Code of Procurement in relation to services including accommodation, removal and storage and

Appendix A – Completed Audits 2023/24

					<p>cleaning. <i>We are currently getting 3 quotes for storage and have a tender draft being finalised to go out to procure for emergency interim accommodation. Also, any accommodation provider in the area and neighbouring is welcome to offer accommodation during the interim of the procurement exercise for emergency interim accommodation as advertised openly on our website. Procurement for cleaning could be part of the corporate cleaning contract.</i></p> <ul style="list-style-type: none"> • <i>At the time of the audit fieldwork in 2022, there was a potential time limit breach of DLUHC guidance for housing 8 families over 6 weeks in B&B. However, the number reduced by 2023. There has only been one quarter where we were close to a breach, and we managed to work collectively to reduce that. With increased new delivery, improved RP void performance and a big increase in new tenancy agreements, this should be addressed.</i> • <i>An outdated homelessness strategy and guidance. To be implemented by March 2024.</i>
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Appendix A – Completed Audits 2023/24

<p>Trading Operations – Cemetery Income</p> <p>To gain assurance that the administration of cemetery income is monitored and managed efficient and effectively.</p>	Adequate	-	2	-	<p>The medium risk issues relate to:</p> <ul style="list-style-type: none"> • Disjointed invoice and debtors' management between the Bereavement Team and Finance. <i>To be improved by November 2023.</i> • A lack of updated procedures. <i>To be completed by February 2024.</i>
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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 Status 2020/21 to 2023/24

Total Recommendations 2020/21				
	High	Medium	Low	Total
Total Recommendations	3	21	23	47
Total Complete	3	20	23	46
Total Not Due	0			
Overdue	0	1	0	1

NB. 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. The Assistant Director stated that whilst the section 113 has been signed and completed, the Memorandum of Understanding (MOU) is in final draft and should be completed soon.

Total Recommendations 2021/22				
	High	Medium	Low	Total
Total Recommendations	4	31	34	69
Total Complete	3	23	25	51
Total Not Due	1	7	2	10
Overdue	0	1	7	8

NB. 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 incomplete high-risk issue relates to Safeguarding – vulnerable adults’ policy, which is scheduled to go to Cabinet for approval in November.

The overdue medium-risk issue relates to Safeguarding (self-assessment actions) plus several low-risk issues which will all be addressed with the updated and approved policy.

Total Recommendations 2022/23				
	High	Medium	Low	Total
Total Recommendations	5	13	13	31
Total Complete	3	12	13	28
Total Not Due	1	1	0	2
Overdue	1	0	0	1

NB. 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 outstanding high-risk issues relate to Trading Operations – Port Commercial & Marine (no formal agreement with LCC for Cross Keys Marina, although the lease from LCC to FDC and sub- lease of part from FDC to EIFCA are in agreed form and ready

Appendix B – Recommendation Status 2020/21 to 2023/24

to sign. This should be done by the end of 2023) and the Construction Industry Scheme – IR35 Compliance (the revised Recruitment COP will be completed by the end of 2023).

Total Recommendations 2023/24 (to date)				
	High	Medium	Low	Total
Total Recommendations	1	10	0	11
Total Complete	0	0	0	0
Total Not Due	1	10	0	11
Overdue	0	0	0	0

NB. 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.

Agenda Item No:	8	
Committee:	Audit and Risk Management Committee	
Date:	20th November 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 in order 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 November 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.

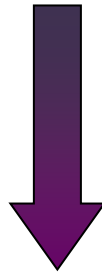
2 Risk Management Process

- 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 project's 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

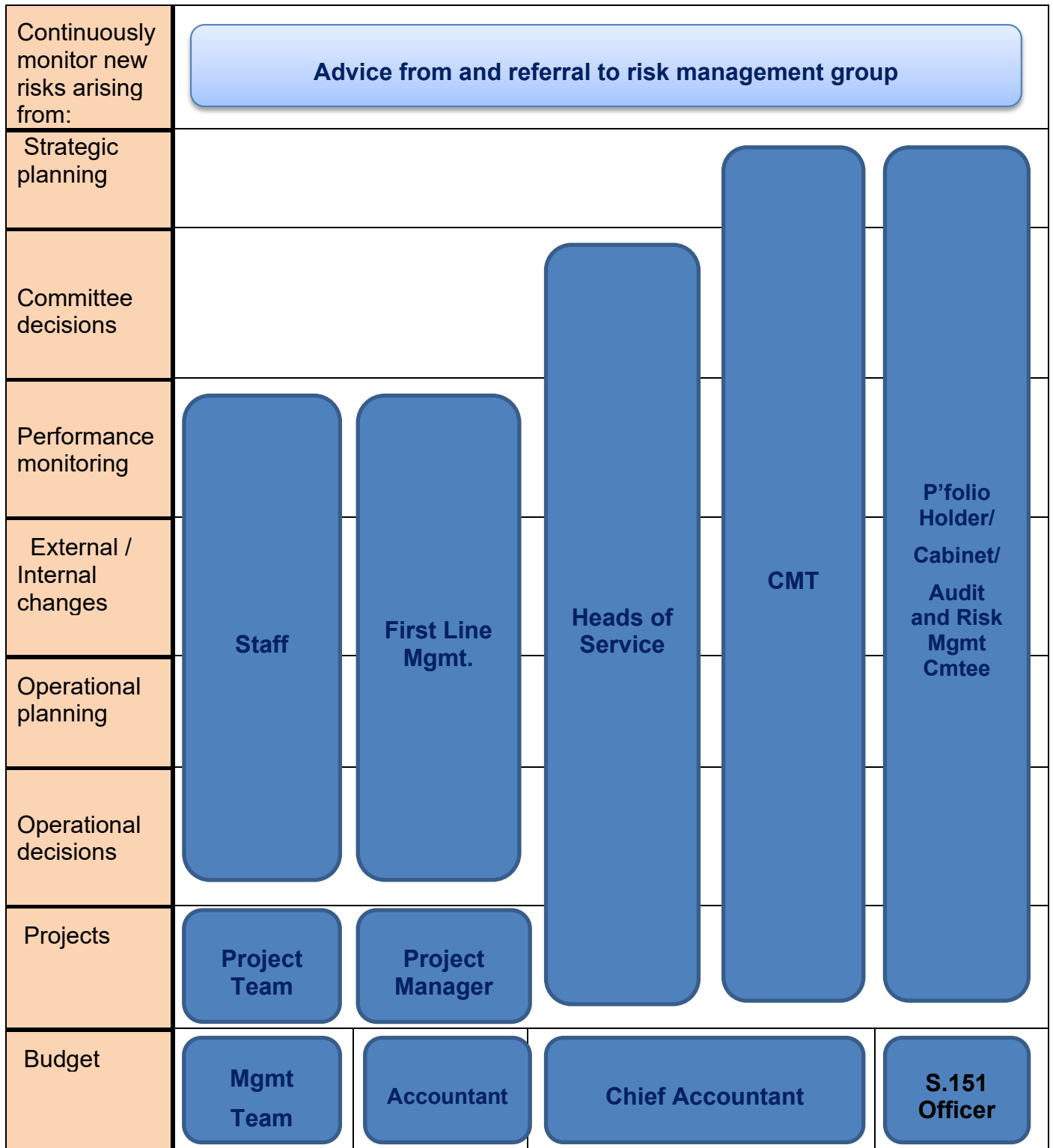
IMPACT x LIKELIHOOD = RISK SCORE

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	Legislative changes in national political 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/SW</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 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.</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>

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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 and we have increased and trained the number of volunteer rest centre staff available.</p> <p>Rest Centre training was carried out earlier this month and Internal Audit have begun a review of our Business Continuity processes.</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.</p> <p>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
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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> <p>Consideration is being given when a new system is procured or replaced as to whether it would be more appropriate to host this within the cloud in terms of resilience, capacity, performance, and cost.</p>

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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>

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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> <p>The ICT Team have voluntarily put themselves forward for scrutiny against the externally, and independently, reviewed Cyber Essentials Plus certification to demonstrate our processes and security stance are adequate. This is in addition to thorough internal and external penetration testing.</p>

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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 and 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 of the Covid-19 pandemic.</p> <p>All organisational changes must be supported by a full rationale and business cases and are presented to and considered by the senior management; If approved, the proposed change is subject to a 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:-Legislative changes in national political 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 	<p>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.</p> <p>We are monitoring expected legislative changes which may arise after the introduction of the Procurement Act which will replace the current EU law-based procurement regulations and lay down new rules and procedures for selecting suppliers and awarding contracts.</p>

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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/SW</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 and the outcome of the current accommodation review. 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>

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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>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 is expected in the coming months. unknown. Officers are keeping a watching brief and will update Management team and members when the impacts become known.</p> <p>The Environment Act included changes to waste collection and treatment for implementation from 2025-2027. This will involve changes in how we are funded and what is expected of us as a local authority collecting domestic and commercial waste and recycling. The remaining lack of clarity for Cambridgeshire is part of the risk at present.</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 and Safety Policy / Codes of Practice • Quarterly meetings of Council Health & Safety (H&S) Panel • H&S Management System based on HSG65 (Plan, Do, Check, Act) • 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"> • Health and safety standing item on relevant team meetings. • All services represented on H&S Panel meetings • Ensure equipment inventory and inspections are up to date. • Collation of all Service Risk Assessment Registers • All high-risk areas have increased systems of management in place, e.g. the Port Safety Management Group • Statutory building/equipment inspection programmes in place. 	<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 e-learning courses developed and rolled out on the Council e-learning platform.</p> <p>Health and Safety performance is monitored regularly, and accident statistics remain low.</p> <p>Flu jabs are being provided for employees.</p>

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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>PC</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 has been approved and adopted.</p> <p>A fraud awareness training programme for all staff is being finalised and is planned to be delivered virtually.</p>

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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 key partners and contract monitoring takes place on an annual basis and Cabinet members sit on Boards to ensure the effective delivery of partnership arrangements.</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	<p>CMT</p> <p>MS/NK</p>	<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 surplus in the 2022/23 financial year. The original budget for 2023/24 included a small amount of additional savings to be delivered in this financial year. A significant 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 2023 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>Delivering savings from the Transformation Agenda 2 (TA2) programme will be critical in enabling the Council to set a balanced budget over the medium-term.</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.</p> <p>Hybrid working is now commonplace across the Council resulting in limited occupation of our main office accommodation 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>

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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	Carol Pilson DW/SA	<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>Regular 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>

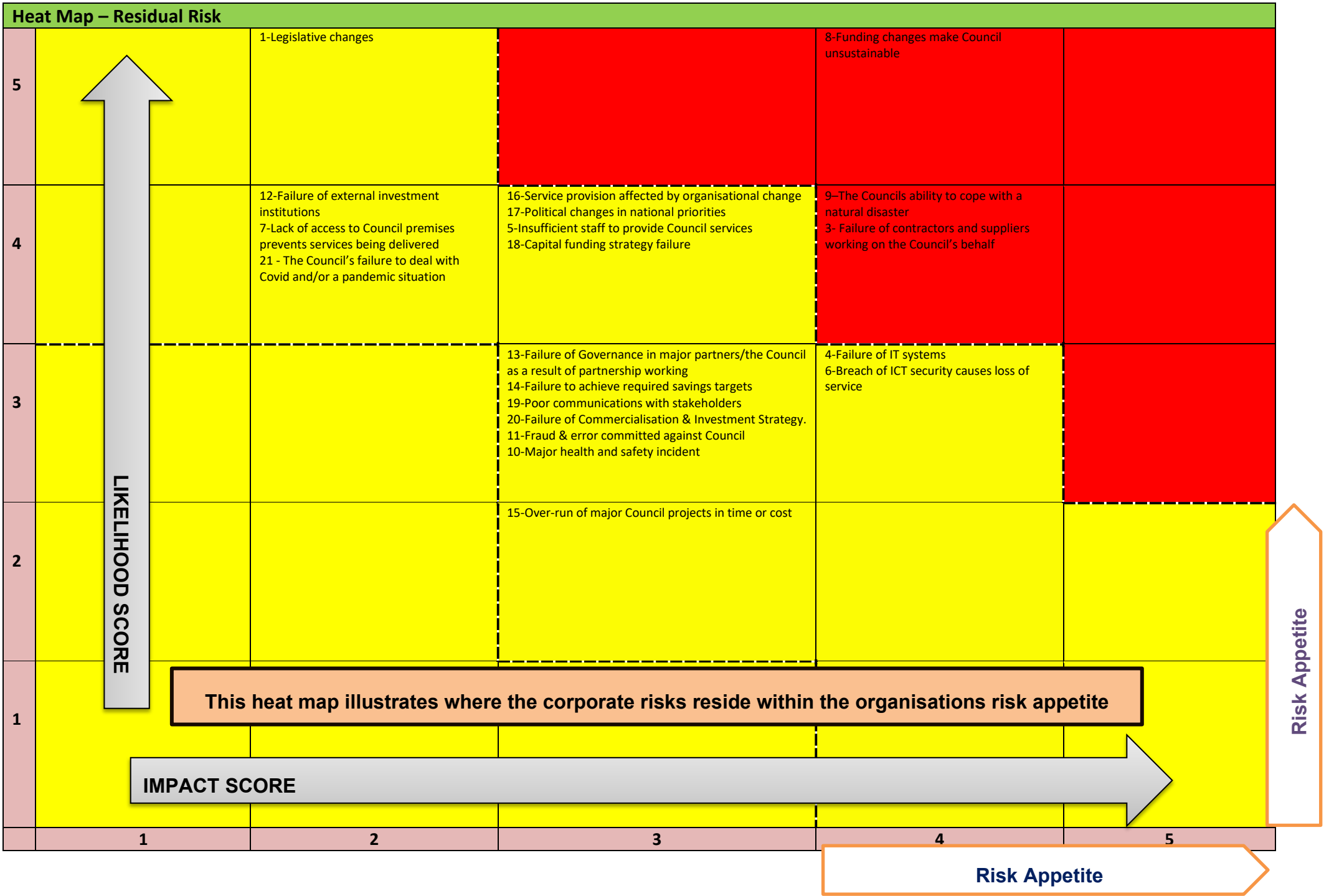
Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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20	<p>Risk:- Commercial uncertainties associated with decisions taken as part of the Council's 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 approved by the Council's Investment Board. Project plans setting out the preferred delivery routes for each of FFL's major projects have been prepared and the two sites now have outline planning permission. Work has progressed on the delivery models needed to develop them.</p>

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		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>Office-based staff have the necessary equipment to be able to work away from the office, 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
		Impact	Likelihood	Score		Impact	Likelihood	Score			
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 • Use of external advisors 	2	4	8	<p>Peter Catchpole</p> <p>MS/SW</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 an infectious disease 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 Management 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>

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			
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 in September 2022 and these have now been rolled out.</p>



AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2023-24

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
20 November 2023				
	External Audit's Annual Report 2021/22	Annual	Mark Saunders	To note the independent external auditors, Ernst & Young (EY), Annual Audit Letter
	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 2023/24 Progress report Q2	Quarterly	David Thacker	To consider and note the activity and performance of the Internal Audit function.
	Corporate Risk Register - Quarterly update	Quarterly	Stephen Beacher	To review and approve the quarterly risk register (Training to be provided before the meeting).
	Audit and Risk Management Committee Work Programme	Quarterly	David Thacker	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 2023/24 Progress report Q3	Quarterly	David Thacker	To consider and note the activity and performance of the Internal Audit function
	RIPA Policy	As required	Amy Brown	To agree proposed changes/updates to the RIPA Policy
	Corporate Debt Policy	4 Yearly	Amy Brown / Peter Catchpole	To agree proposed changes/updates to the Corporate Debt Policy

Agenda Item 9

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2023-24

	Risk Register – Quarterly update	Quarterly	Stephen Beacher	To review and approve the quarterly risk register.
	Audit and Risk Management Committee Work Programme	Quarterly	David Thacker	Information Purposes
25 March 2024	Risk Based Internal Audit Plan 2024/25	Quarterly	David Thacker	To approve the internal audit plan and resources for the forthcoming year
	Audit Results Report 2022/23 (ISA 260)	Annual	External Audit	To consider and note the external audit results report.
	Final Statement of Accounts 2022-23	Annual	Mark Saunders	Review and approve the final Statement of Accounts 2022-23
	Letter of Representation 2022/23	Annual	Mark Saunders	To agree the format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 22-23 Statement of Accounts audit.
	Anti-Money Laundering Policy	4 Yearly	Peter Catchpole	To approve the Anti-Money Laundering Policy.
	Annual Governance Statement Update 2022/23	Annual	David Thacker	To review and note the progress on the Annual Governance Statement action plan arising from 2022/23.
	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	David Thacker	Information Purposes

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2023-24

Future items *(when to be brought to the committee in 2023/24 to be determined)*

- Corporate Debt Policy (4 Years) – February 2024
- RIPA Policy (as required) – February 2024
- Anti-Money Laundering Policy (4 Years) – March 2024

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

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

Audit and Risk Management Committee Training sessions 2023/24

- Introduction to ARMC – External Training 24th July 2023
- Statement of Accounts – Mark Saunders 12th February 2024
- Risk Register – Stephen Beacher 12th 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.	February 2024	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