Fenland
CAMBRIDGESHIRE
Fenland District Council

Public Document Pack

100% people driven

AGENDA

CORPORATE GOVERNANCE COMMITTEE

TUESDAY, 20 NOVEMBER 2018

2.30 PM

BEECH CONFERENCE ROOM, SOUTH FENS BUSNESS CENTRE, FENTON WAY, CHATTERIS, CAMBS PE16 6TT

Committee Officer: Izzi Hurst
Tel: 01354 622281
e-mail: memberservices@fenland.gov.uk

1 To receive apologies for absence

2 Previous Minutes. (Pages 3 - 8)

To confirm and sign the minutes of 27 July 2018.

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 Annual Audit Letter 2017/18 (Pages 9 - 36)

To receive the independent external auditors, Ernst &Young (EY), Annual Audit Letter for 2017/18.

6 Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2018/19 (Pages 37 - 48)

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2018/19 and to provide members with an update on matters pertinent to future updates to the Council’s Treasury Management Strategy.

7 Internal Audit Plan 2018-19 Progress Report Q2 (Pages 49 - 56)

To report progress against the Internal Audit Plan 2018-19 for the period 01 April 2018 including planned work until 30 September 2018 and the resulting level of assurance.

8 Corporate Risk Register quarterly review (Pages 57 - 84)

To provide a quarterly update to the Corporate Governance Committee on the Council’s Corporate Risk Register.

9 Items of Topical Interest

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

Monday, 12 November 2018

Members: Councillor J Clark (Chairman), Councillor Mrs F Newell (Vice-Chairman), Councillor G Booth, Councillor R Butcher, Councillor D Hodgson, Councillor P Murphy, Councillor W Sutton and Councillor M Tanfield

CORPORATE GOVERNANCE COMMITTEE

FRIDAY, 27 JULY 2018 - 10.30 AM

PRESENT: Councillor J Clark (Chairman), Councillor F Newell (Vice-Chairman), Councillor G Booth, Councillor R Butcher and Councillor W Sutton

APOLOGIES: Councillor D Hodgson, Councillor P Murphy and Councillor M Tanfield

OFFICERS IN ATTENDANCE: Peter Carpenter (Interim Section 151 Officer), Mark Saunders (Chief Accountant), Kathy Woodward (Internal Audit Manager), Neil Krajewski (Deputy Chief Accountant), Carol Pilson (Corporate Director and Monitoring Officer), Izzi Hurst and Linda Albon (Member Services & Governance)

ALSO IN ATTENDANCE: Neil Harris, Flo Barrett and Amalia Valdez Herrera from Ernst & Young

The Chairman felt it important to note that the members who had sent their apologies were absent because the meeting had been rescheduled from the original date. Peter Carpenter explained the meeting was rescheduled to allow completion of the audit and to provide a full, rather than draft, set of accounts.

CGC/12 PREVIOUS MINUTES.

The minutes of the meeting of 19 June 2018 were approved and signed.

CGC/13 APPOINTED AUDITOR (EY) - AUDIT RESULTS REPORT (ISA260) 2017/18

Members considered the Audit Results Report (ISA260) presented by Neil Harris from Ernst & Young (EY), the Council's External Auditor. Neil introduced the Committee to Amalia Valdez Herrera, Flo Barrett's Senior Auditor, both of whom were instrumental in the audit. He was pleased to report the external audit testing has now been concluded. This is the first year of a new statutory timetable for accounts, with draft accounts needing to be prepared by 31 May and approval of the accounts by 31 July, putting increased pressure on all concerned. The Council responded extremely well to the challenge and as a result Neil was pleased to confirm the Council's financial statements represent a true and fair view of the Council's finances as at 31 March 2018. He concluded the Council has secured proper arrangements for economy, efficiency and effectiveness in the use of its resources, which is EY's value for money conclusion. The results reflect very well on the Council and its secure financial position.

It was further noted that the Expenditure Funding Analysis, Whole of Government Accounts and IAS19 Procedures had been concluded since the time of the draft report. However, there were two significant amendments made to the financial statements, one being an adjustment to the valuation of the Council's leisure centres as all-weather pitches at two leisure centres had been erroneously included in the original valuation the Council obtained. The required changes have been reflected in the accounts for approval at this meeting. The second adjustment made was to the Pension Liability valuation. This is not specific to Fenland but happening across a number of county pension funds across the country. EY are seeing a difference in fund valuation between the schedule of results included in the draft accounts and the valuation of the fund as included in the County Council Pension Fund accounts as at 31 March. A rerun of the IAS19 was requested which had been responded to very quickly in order to provide an updated estimate at 31 March. In conclusion there were no significant findings or deficiencies in terms of control. Neil suggested that more information could be provided on analytics at a future committee as EY are investing heavily in technology to drive more efficient and effective audit.

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

- Councillor Booth asked if there would be any impact on the leisure centres tender process in respect of the revaluation. Mark Saunders advised that the tender process was about management and not the value of the asset.
- Councillor Sutton expressed concern that the pension deficit is now £66m having been told a year ago there was a deficit of £36m. Peter Carpenter explained they are the most regulated audited part of the accounts, with actuaries taking about seven years to be trained and accredited; also looking at the adjustments, counties and districts will be more in line next year so this will not happen. In terms of the valuation of a pension fund, there are two parts to it. All pension funds up to 2014, apart from two, are currently in deficit. There are long term recovery plans to break even across the country. Therefore the valuation changes yearly, but the main valuations take place every three years. The next one will be in 2019, when the rate will be set for the next three years in terms of payments, lump sums and contributions; we are currently paying about 17.5% as a contribution of pay plus a lump sum of £800,000 a year. However, this shows how pension funds fluctuate. Also, people are living longer and pension funds, are generally made up of 70-80% equities and 20% hedge against equities, and equities have increased massively in the last year. The pension fund itself has gone up another 2.5% from April to June but could go down just as easily, so the skill of the pension fund professional is to ensure they keep hold of those gains.
- Councillor Clark asked, in terms of value for money, given what is occurring at the County Council with the FACT payments can the Council be sure that the amount of money it gives to FACT is spent correctly. Neil advised that the audit includes testing income received and checking that grant conditions are met and he has no concerns with this council. Councillor Clark asked could we be satisfied then that the £50,000 we give to FACT is used correctly. Neil advised that from EY's point of view they could be satisfied that the revenue and expenditure was recognised appropriately in the Council's accounts as expenditure. It was a matter for the County Council's auditors to form a view on whether County Council's money is used appropriately. At this point, Councillor Butcher declared an interest as he is a FACT board member and advised the £50,000 grant pays for free bus fares. Councillor Booth stated this payment was capped a few years ago but wanted to be sure that, given this amount is near the materiality threshold, there have been no other payments to FACT that this committee needs to be aware of. Carol Pilson addressed Councillor Clark's concerns and confirmed that the matter with FACT had been followed closely because of the Council's interactions with FACT. A member of FACT with a bus pass could use their bus pass for free on these routes, the fare being paid 50% by us and 50% by the County Council. She stated we are currently reviewing the PKF report which is going to the audit committee at County Council next week, from which we will see if there are any implications for FDC. A briefing can be provided to Councillor Clark once that analysis has been completed. Councillor Booth reiterated that we need reassurance that we have not had any figures mispresented so that we are paying out money that we should not be paying. Carol Pilson stated we can take some assurance that FACT also go through their own external audit processes; they submit quarterly facts and figures and we have a service manager who assesses this information to see whether there are any issues to raise or notable discrepancies. Councillor Booth asked if EY are happy that our procedures are robust enough to pick up any discrepancies and Neil confirmed that he had no concerns.
- Peter Carpenter asked what EY's view was on the other councils they manage. Neil stated that most councils will hit the target of end July but due to the complexity of some valuations or

resource issues causing pressure, they have had to prioritise appropriately to ensure that as many clients are concluded before end July where it is within their control to do so.

- Councillor Sutton asked how EY could assure the committee that nothing is missed. Neil explained that EY undertakes a risk assessment of each client to ensure appropriate phasing of prioritisation, and additional quality review control procedures are put in place for some of their bigger clients. In the context of Fenland, both Flo and Amalia do not just work on this audit, but have other engagements so there are a number of experienced audit managers behind the scenes providing coaching and support where appropriate. Flo advised that Mark Saunder's team were very good in helping identify areas that could be brought forward for early testing which has allowed more time and resources to focus on risk areas, thus ensuring we are still getting a high quality audit in the short amount of time we have left due to the deadlines.
- Councillor Sutton asked if the competence of the finance team had helped with the audit. Both Neil and Flo confirmed that the quality of the finance team had helped the audit run smoothly and thanked Mark Saunders and his team for doing a fantastic job and for all the help they had given this year.
- Councillors Sutton and Clark asked Peter Carpenter how confident was he in the processes and the work done before his interim appointment. Peter explained that, having been satisfied his appointment was not as a result of financial irregularities, he felt comfortable having looked at the accounts, MTFS, monitoring and the view of the auditors.
- Councillor Booth mentioned that the BBC had reported all four of the big audit firms needed to "up their game" and asked if EY had made any changes to their approach. Neil stated that for the last few years EY have had an audit quality investment programme responding to regulator feedback. The regulator has commented positively about EY's culture. Quality remains the highest priority for the firm and they are putting a lot of work into building trust in the corporate and public sector.
- Councillor Clark asked if it was correct that EY's fees are reducing next year. Neil confirmed this was the case. A scale of fees is set that affect the outcome of contract tendering so, having been appointed as the Council's auditors for the next five years, part of that contract award is a reduction in the scale. This does not mean a reduction on the amount of work undertaken or the quality of it. However, it may lead to further debate if work arises that represents a change in scope agreed.
- Councillor Booth asked why the grant income was stated as being £36m but the figures added together only come to £31m. Neil explained that it was the way of describing key items and Flo confirmed that the remaining £5.6m is made up of a lot of small grants.

The Corporate Governance Committee agreed to note the contents of the Audit Results report.

Councillor Booth declared a non-pecuniary interest insofar as investments are held with building societies by virtue of being employed with Yorkshire Building Society.

CGC/14 STATEMENT OF ACCOUNTS 2017/18

Members considered the Statement of Accounts for 2017/18 presented by Peter Carpenter.

As an attachment to the accounts, an update had also been circulated by Mark Saunders showing the differences between the draft and final versions of the accounts. Peter Carpenter stated that it was important to note that there was no difference in terms of the level of the General Fund and what was reported at year end.

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

- At the request of Councillor Clark, Mark Saunders went through the attachment, advising that the items were mostly technical accounting issues which had no impact on the Council's use of reserves. Councillor Sutton thanked Mark for the update and said it was very useful.

- Councillor Sutton commented that that there were some issues with the narrative report, namely under the heading ‘A growing population’ he said it was not strictly correct as the Local Plan and Economic Development Strategy, had not been decided yet. Councillor Booth advised that there is an economic development strategy but it needs to be updated, and that is why it is going back to Overview & Scrutiny. Councillor Sutton suggested therefore that this be reworded. He also stated that under Governance, the number of councillors representing each political party was incorrect and thus the map and, although this did not affect the overall figures, nevertheless he felt it was important to point these out.
- Councillor Sutton asked for the current position with the figure of £0.693m under Provisions and Contingencies. Mark Saunders advised there needs to be further analysis of business rates but has not got an up to date figure.
- Councillor Sutton stated he was surprised to see a lower figure for Garden Waste receipts in advance as he believed there had been a bigger uptake this year than last year. Mark Saunders advised that the figure did not reflect any income received since 31st March. There would have to be a look at how many subscribers had carried on from last year, bearing in mind many people leave it until the last minute. Councillor Booth agreed with Councillor Sutton’s point that they were led to believe that more people had taken up an earlier subscription this year compared to last year. Consequently, Councillor Clark requested an update on those figures.
- Councillor Sutton asked if the remuneration to the Returning Officer and the elections team is reflected in the figures or covered separately. Mark Saunders advised that this is a separate figure and not a direct cost to this Council unless they involve district elections. Carol Pilson confirmed that the work done for all other elections are at no cost to us, the work is recharged to, say, the parish council or central government in the case of a parliamentary election and the figures are audited by the Electoral Claims Unit. Mark Saunders confirmed that the accounts show the gross cost of the elections and include any money recovered via recharges.
- Councillor Butcher asked how the market undertaking figure was made up under Trading Operations. Mark Saunders explained this included all the costs to provide the service, namely officer time, business rates, support services and administration etc. The level of income received from markets is falling every year. Councillor Booth stated that effectively the Council is losing £80,000 and as the costs are increasing as revenue decreases it is time to look at this. Effectively we are subsidising these businesses and we cannot justify these costs to the public. Councillor Clark asked for guidance on how it could best be addressed; Carol Pilson advised a response could be taken to the Chairman re markets. Councillor Sutton stated his concern also with the costs regarding the port, and factory and office units. Councillor Booth did state though that with the port authority, he has brought this up in the past and was advised that this is the way the accounts are presented. Mark Saunders explained that as a statutory harbour authority operating an open port, we do have to provide this service regardless of the number of ships that visit the port and so the costs are not proportionate. A response on all three items including current expenditure, how they occur and plans to reduce the amount. Councillor Booth added a point needed to be made around subsidisation as there are rules around anti-competitive grants and we need to have appropriate safeguards in that area.
- Councillor Booth asked for details of an unspent amount of £12,000 for community projects and how that could be accessible for members to help their communities. Mark Saunders stated this was an amount left over from the original Leader’s Discretionary Fund and was made up of small grants for community groups up to £500. Councillor Clark advised that in the past, an application form can be completed from the Council’s website, considered by the Portfolio Holder and then forwarded to Cabinet for a decision.
- Councillor Booth asked about savings from the CSR, some £970,000 and ahead of expectations. He asked if the Council is being realistic when setting those budgets and expectations, and are we cutting back services to areas more than necessary. Councillor Clark thought this a fair point and will look for guidance on how to take that forward. Mark Saunders added that there are still some significant areas within those projects that have yet to be

realised, one being the leisure contract, and the relocation of the two one stop shops in Wisbech and March, and so there are still some big risks in terms of achieving those savings.

The Corporate Governance Committee agreed to approve the final Statement of Accounts for 2017/18 subject to the observations made.

Councillor Booth declared a non-pecuniary interest insofar as investments are held with building societies by virtue of being employed with Yorkshire Building Society.

CGC/15 FENLAND DISTRICT COUNCIL - LETTER OF REPRESENTATION

Members considered the Letter of Representation presented by Peter Carpenter who assured he is content that we have discharged our responsibilities for monitoring and reviewing the delivery of income and expenditure in the right way throughout the financial year.

The Corporate Governance Committee agreed to approve the format and content of the Letter of Representation provided to the independent external auditor (EY) at the conclusion of the audit of the 2017/18 Statement of Accounts. The Letter of Representation was duly signed.

CGC/16 ITEMS OF TOPICAL INTEREST

Although there were no items of topical interest, a few extra comments and suggestions were made at this point.

- Councillor Sutton mentioned that at the last committee he had suggested it may be beneficial to have a session with a pension actuary to help further understand the Council's pension deficit. Peter Carpenter agreed that this would be relevant, as they will also be able to discuss trends and fluctuations. Councillor Clark asked that this be arranged.
- Councillor Booth asked what progress had been made since Councillor Sutton requested at the last meeting for consideration to be given to combining both the Corporate Governance and Conduct Committees. Carol Pilson stated that this Council has constituted two committees with separate terms of reference; it would be a member decision to decide to change arrangements. Carol suggested that Councillor Clark could discuss the matter with Councillor Hoy in the first instance as the chairmen of the two committees. Councillor Sutton advised some authorities do have a sub-committee as governance is all about conduct. There is also a potential saving regarding members allowances. Councillor Booth felt that this should be a decision of the members as both chairmen could have opposing views which would lead to an impasse. Councillor Clark advised that he would go away and consider this. Councillor Newell stated that she felt conduct and audit were different and just because it works in other places does not mean to say it would work here.
- Councillor Clark concluded by thanking everyone on behalf of the Committee for their help, he reiterated that we have confidence in the EY team, and he also thanked Mark's team for their guidance.

12.07 pm Chairman

This page is intentionally left blank

Agenda Item No:	**5**	Fenland CAMBRIDGESHIRE
Committee:	Corporate Governance Committee	
Date:	20 November 2018	
Report Title:	Annual Audit Letter 2017/18	

Cover sheet:

1 Purpose / Summary

To receive the independent external auditors, Ernst &Young (EY), Annual Audit Letter for 2017/18.

2 Key issues

- The external audit findings for 2017/18 have been reported to the Corporate Governance Committee throughout the year. The Annual Audit Letter summarises the results of the audit work for members of the Council.
- For 2017/18, there was a significant change in the statutory deadlines for the preparation (31 May 2018) and approval (31 July 2018) of the accounts. Both of these new deadlines were met and EY reported an unqualified opinion on the 2017/18 accounts. This is a significant achievement for the Council.
- In all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion has been given.
- As part of the result of a review at EY the external auditor Mr. Neil Harris is moving on to another region to be replaced by Mr. Mark Hodgson of EY for the audit from 2018/19. Mr. Hodgson's CV is attached at Appendix A. It is expected that either Mr. Harris or Mr. Hodgson will be in attendance at the meeting.

3 Recommendations

- It is recommended that Members:

(i) receive and consider the report;

(ii) note the change in the external auditor for the audit from 2018/19.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr John Clark, Chairman of Corporate Governance Committee Cllr Anne Hay, Portfolio Holder, Finance
Report Originator(s)	Kamal Mehta, Interim Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant

Contact Officer(s)	Kamal Mehta, Interim Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	2017/18 Audit Results Report (ISA260)

Appendix B

Fenland District Council

Annual Audit Letter for the year ended 31 March 2018

August 2018

Building a better working world

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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 (updated 23 February 2017)’ issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with your professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Fenland District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018.
Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 27th July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30th July 2018.

In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 27th July 2018 Corporate Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 7th February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2017/18 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Undertaking any other work specified by the Code of Audit Practice or the Public Sector Audit Appointments Limited (PSAA).

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

03 Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of 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.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30th July 2018.

Our detailed findings were reported to the July 2018 Corporate Governance Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Misstatements due to fraud or error & Risk of fraud in revenue and expenditure recognition 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. The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. Having considered each of the streams during our interim visit, we have concluded that, in view of our understanding of the revenue and expenditure streams, the risk of material misstatement arising from inappropriate expenditure recognition in respect to NNDR Appeals Provision calculation has a high likelihood of occurrence and is likely to be of a size which would be material to the users of the financial statements. This is because of the extent of estimation and judgement that management, with specialist support, need to calculate the provision and the impact on the Council's provisioning of the new 2017 rateable value listing. We have therefore been unable to rebut the risk of fraud in revenue and expenditure recognition.	Our area of focus was on inappropriate valuation of NNDR appeals provision. Our approach has focused on: • Undertook procedures to review the Council's methodology to assess the level of NDR appeals and the subsequent provision. • Review the calculation of the NDR appeals provision to supporting evidence, and assess the reasonableness of the calculation, ensuring it has been prepared in accordance with associated guidance and complying with IAS37. • Recalculate the appeals provision, as appropriate, to ensure accuracy. • Confirm the Council has correctly identified their share of the provision within their provision note. Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Council's financial position

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
Valuation of Council's Leisure Centres One of the Council's key strategic developments is the externalization of its Leisure Centres. These change in value every year. As such, the Council might have an incentive in maximizing the value of the asset to increase the proceeds that would come with externalization. The inherent risk assessment for Land and Buildings valuation is already high, and there is an inherent risk with the valuation of Land and Buildings. However, EY Estates raised some concerns in the prior year regarding the methodology used by the council's valuer, Wilkes, Head and Eve which we reported to the Corporate Governance Committee in our 2016-2017 Audit Results Report in September 2017. We were able to perform additional audit procedures on the valuation assumptions to conclude that the valuation of the Leisure Centres in 2016-2017 financial year was within a reasonable range in the context of our materiality levels.	Our approach has focused on: • Considering the work performed by the Council's valuer, Wilks, Head and Eve (WHE), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Reviewing and sample testing the Council's Leisure Centres information provided by the Council to WHE in performing their valuation (e.g. floor plans to support valuations based on price per square metre); • Considering external evidence of Leisure Centre values via reference to the NAO commissioned Local Government Gerald Eve report. Specifically we have considered if this indicates any material variances to the asset valuations performed by WHE and the desktop review by management; • Considering changes to useful economic lives as a result of the most recent valuation; • Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments. We identified that the valuer had incorrectly included 3G all weather pitches at the Hudson and Manor leisure centres in their valuations. The finance team confirmed that the all weather pitch at the Hudson is not owned by the Council and the facility at the Manor is not a 3G all weather pitch. The finance team obtained a revised valuation from the valuer which excluded the all weather pitches and the associated land on the Hudson site. This resulted in a total reduction of £1,234K in the value of the leisure centres. The finance team have amended the financial statements to incorporate the new valuations. We can confirm the appropriate amendments have been made. We are satisfied that the Council's accounts will present a true and fair picture of the subjective nature of valuations.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	Our approach has focused on: • Considering the work performed by the Authority's valuer, Wilks, Head and Eve (WHE), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Reviewing and sample testing the key asset information provided by the Authority to WHE in performing their valuation (e.g. floor plans to support valuations based on price per square metre); • Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered whether any specific changes to assets (which would impact its value) have been communicated to the valuer; • Reviewing the desktop review performed by management over assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; • Considering external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report. Specifically we have considered if this indicates any material variances to the asset valuations performed by WHE and the desktop review by management; • Considering changes to useful economic lives as a result of the most recent valuation; • Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and • Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments. Our testing has not identified any material misstatements from valuation of PPE or IP.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet.	Our approach has focused on: • Liaising with the auditors of Cambridgeshire Pension Fund, BDO, to obtain assurances over the information supplied to the actuary in relation to Fenland District Council; • Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC – Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19. Having received our assurance from the pension fund auditor a difference was identified between the actuary's report which was produced from the December 2017 valuation, from which the Council prepared its accounts, and the revised actuary report produced from the March 2018 valuation. The council's share of this difference was £974k. We are satisfied that the Council's accounts will present a true and fair picture of the subjective nature of pension liability. The misstatement does not impact cash nor the outturn for the year.
IFRS 15 implementation: A new accounting standard relating to revenue from contracts comes into effect on 1 April 2018.	The Authority has undertaken an assessment of its implications and given the nature of the Authority's income streams, it has concluded that IFRS 15 is unlikely to have a material impact on the single entity financial statements of the Authority. We concur with the Authority's initial assessment.

The Council's Statement of 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.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.1mn (2016/17: £1.0mn), which is 2% of gross expenditure reported in the accounts of £52.1 million adjusted for parish precepts of £1.2m, Levies of £1.4m and tax support grant and interest payable of £0.6m. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Corporate Governance Committee that we would report to the Committee all audit differences in excess of £55k (2016/17: £55k)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: We select a sample based on auditor judgement (taking into account any prior year findings) and agree the disclosure back to supporting documentation.
- Related party transactions: We have reviewed all returns made by senior management and members to ensure consistency between the returns and accounts. Where related parties have been identified we ensure that the amount disclosed in the accounts is consistent with the accounts payable and accounts receivable system.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. We identified some presentational and disclosure issues which have been adjusted by management, and are not detailed in this report.

04 Value for Money

Value for Money

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council’s arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 30th July 2018.

Significant Risk	Conclusion
Councils are funded by grants from central government and locally raised revenue from council tax and business rates or from fees, charges, or other revenue generating activities. Since 2010/11 funding for Councils from central government has reduced and further reductions for the period 2017/18 to 2020/21 are likely. The Council is taking action to address longer term financial resilience issues identified in the Medium Term Financial Strategy. Achieving the 2017/18 budget will be reliant on savings plans of £601k being realised.	Our approach was to review the adequacy of the Council's arrangements for: • Delivery of the Council's 2017/18 savings plans and linkages to delivery of longer-term transformational change; • Identification of and review of the Council's 2018/19 financial plan; • Development of its longer-term financial strategy in the light of the local and wider financial pressures, including the robustness of assumptions; and • Consider the arrangements the Council is putting in place to review the options for the externalisation of its leisure centres. The 2018/19 budget is balanced, through the use of efficiencies and income plans. Although we are only part way through the financial year, we assessed these as reasonably-based taking into account the Council's track record of delivering savings over the recent financial periods. While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans gives confidence that it can continue to do so. We also reviewed the key assumptions in the budget and MTFS, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential settlement. Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery has not identified any significant matters that we wish to report to you.
The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the FY18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May 2018 and the publication of the audited accounts by 31 July 2018. The risk here is whether or not the Council puts in place all the appropriate arrangements to ensure its financial reporting processes enable the closure of accounts, production of financial statements and supporting working papers by the faster closure timetable.	As detailed in the audit plan taken to committee 7 February 2018 with the help of the finance team procedures were put in place in order to ensure that the deadline of 31 July was met. The Client Portal was set up which provided a clearer list of requested working papers enabling both EY and the Council the ability to efficiently track request. It also facilitate the request of further evidence requested to ensure both EY and the Council are aware of any outstanding items. Interim audit work undertaken in January/February 2018 and early testing undertaken in May 2018 which enabled to us to complete some areas of the audit as presented to you in our report taken to committee 19 June 2018. The Authority met the shortened deadline. Very few audit differences have been identified to date which reflects the high quality of the financial statements and supporting working papers. The finance team have provided the supporting working papers we need and the audit deadline of 31 July 2018 was met. We will again arrange a team debrief after the deadline, with the audit team and finance team, to highlight improvement areas for both teams.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Reporting Issues (cont'd)

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Corporate Governance Committee on 27th July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Corporate Governance Committee.

06 Focused on your future

Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.	Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.	As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited. The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.

Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.

07 Audit Fees

Audit Fees

Our fee for 2017/18 is inline with the scale fee set by the PSAA and reported in our 27th July 2018 Annual Results Report.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee – Code work	49,186	49,186	49,186	52,186
Total Audit Fee – Certification of claims and returns	TBC*	14,262	14,262	16,388
Total Audit Fee – Port Authority work	TBC*	2,600	0	1,567

*The final fee for the 2017/18 grant claim and port authority work is still to be quantified. However, we currently anticipate no increase in fee above the scale fee for the port authority work. There may be additional fees in respect to the grant claim work subject to no additional errors being identified as part of the initial testing.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

EY-000070901-01 (UK) 07/18. CSG London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com

This page is intentionally left blank

Agenda Item No:	**6**	Fenland CAMBRIDGESHIRE
Committee:	Corporate Governance Committee	
Date:	20 November 2018	
Report Title:	Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2018/19	

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 2018/19 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

2 Key issues

- The Treasury Management Mid-Year Review 2018/19 as considered by Cabinet and Council on 15 November 2018 is attached.
- Updates to the Treasury Management Code of Practice and the Prudential Code will impact on the Council's reporting and oversight arrangements from 2019/20. Proposals are being developed by officers to ensure adherence to the new requirements.
- 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 2018/19.
- The Monetary Policy Committee (MPC) voted to increase the Bank Rate on 2nd August 2018 from 0.50 to 0.75%. Further, the MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track.
- Prudential indicators for the Capital Financing Requirement (CFR) and the capital position have been revised.
- Due to the Council's long term debt portfolio (£7.8m at 31/03/18) currently attracting excessive premiums for early redemption of debt, as has been the case since 2007, it is not financially advantageous for the Council to comply with the Gross Borrowing and Capital Financing Prudential Indicator in 2018/19.
- Investment income received for the first six months of 2018/19 is £76k which is an improvement on the original estimate for this period reflecting the increase in the Bank rate. Consequently, the budgeted outturn for the year has been revised upwards from £140k to £155k. Nevertheless market rates remain low and are expected to continue to remain so based on current medium-term forecasts.
- Overall interest rate achieved from investments for the first six months of 2018/19 was 0.64% (7 day LIBID uncompounded rate 0.44%).
- The Money Market Fund sector is now in the last stages of introducing new regulations. These will see existing non-government Constant Net Asset Value (CNAV) funds convert to Low Volatility Net Asset Value (LVNAV) pricing.

3 Recommendation

It is recommended that Members note the report.

Wards Affected	All
Portfolio Holder(s)	Councillor Anne Hay, Portfolio Holder, Finance
Report Originator(s)	Kamal Mehta, Interim Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Kamal Mehta, Interim Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper (s)	Link Asset Services template Council Report - 22 February 2018 - General Fund Budget 2018/19 and Capital Programme 2018-21 Cabinet Report – 19 July 2018 - Capital Programme Update

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). CIPFA updated the Treasury Management Code in December 2017 and this report has been prepared with reference to the requirements set out in the updated Code.

1.2 Additionally, there is a statutory requirement for the Council to comply with the Prudential Code which is also published by CIPFA and was also updated in December 2017. 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 Reductions in central government funding for local government and declining returns on deposits invested with financial institutions has led some local authorities to explore other avenues for generating investment returns, including in investment in non-financial assets. The recent updates to the Treasury Management Code and the Prudential Code reflect these trends and this has been further underlined by statutory guidance on Local Government Investments published by the Ministry of Housing and Local Government in February 2018. In particular, there is a recognition that all authorities need to ensure they can clearly identify the strategic considerations underpinning their investment strategies and effective governance frameworks are in place to protect and preserve each authority's long-term financial sustainability. Specifically, from 2019/20, all local authorities will be required to have an approved Capital Strategy which is intended to provide the following:

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

A report setting out the Council's Capital Strategy will be prepared for consideration and approval by Full Council before 31st March 2019 as part of the annual budget-setting timetable.

1.4 The updated Treasury Management Code states that, providing the Council's Capital Strategy provides key information relating to Treasury Management, full Council is no longer required to approve a separate Treasury Management Strategy. However, where such an approach is adopted the Chief Finance Officer is required to put in place arrangements for separate approval and review of the Council's Treasury Management Strategy and treasury management activities and full Council retains overall responsibility for Treasury Management. Details of the Council's proposals for future oversight of Treasury Management will be considered at a future meeting of this committee.

Treasury Management

1.4 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."

1.5 The Council complies with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2017).

1.6 The primary requirements of the Code applicable to the 2018/19 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 Corporate Governance Committee.

1.7 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 2018/19 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 2018/19;
- a report of the Council's borrowing strategy for 2018/19;
- a report of debt rescheduling during 2018/19;
- a review of compliance with Treasury and Prudential Limits for 2018/19.

2 Economic Update

2.1 The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

2.2 Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019. The MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast

2.3 As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. Link Asset Services suggest that this tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

2.4 In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, Link Asset Services continue to anticipate that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

2.5 In the USA, President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

2.6 Growth in the Eurozone was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

2.7 Economic growth in China has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

2.8 Prospects for interest rates and borrowings over the medium term are shown below.

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by Council on 22 February 2018. Due to expected changes in Money Market regulations which are due to come into effect in the very early stages of 2019, it is recommended that the Council updates its Annual Investment Strategy immediately to ensure the Council is able to use money market funds which are classified as either Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LNAV) or Variable Net Asset Value (VNAV) should it wish to do so. The existing Annual Investment Strategy does not specify which money market funds the Council can invest in so this change will provide for additional clarity and it reflects guidance the Council has received from its Treasury Management Advisors.

3.2 Prudential indicators for the Capital Financing Requirement (CFR) and the capital position have been revised.

4 The Council's Capital Position

4.1 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.

4.2 At its meeting on 19 July 2018 the Cabinet approved revised estimates for the 2018/19 capital programme and the financing of that programme. The table below compares he revised estimates with the original capital programme which was incorporated into the 2018/19 Treasury Management Strategy Statement (TMSS).

Capital Programme	2018/19 Original Estimate £000	2018/19 Revised Estimate £000
Forecast Capital Expenditure	**3,145**	**3,852**
Financed by :		
Capital Grants	980	1,106
Section 106's	0	96
Capital Receipts	413	317
Capital Reserves	580	994
Finance Leases	0	336
Total Financing	**1,973**	**2,849**
Borrowing Requirement	**1,172**	**1,003**

4.3 The main changes to the programme since February 2018 is an acceleration of the vehicle replacement programme with spending budgeted for 2019/20 due to happen in this financial year. Re-profiling adjustments consistent with the variations reported to Council and Cabinet as part of the outturn report on 17 May 2018 have also been reflected.

4.4 The anticipated expenditure funded from disabled facilities grants has increased to take account of the confirmed allocation from government and a brought-forward underspend from the prior year. A scheme to develop the Skate Park at Wisbech using section 106 monies has also been added to the capital programme for the 2018/19 financial year.

4.5 The table below shows the anticipated CFR at 31 March 2019, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period; this is termed the Operational Boundary.

Prudential Indicators	2018/19 Original Estimate £000	2018/19 Revised Estimate £000
Capital Financing Requirement as at 31 March 2019	**1,786**	**1,859**
External Debt / Operational Boundary		
Borrowing	10,000	10,000
Other Long Term Liabilities Finance Leases	2,000	2,000
Total Debt 31 March	**12,000**	**12,000**

4.6 The Council's revised estimate for CFR is £73k higher than the original estimate. This results principally from the acceleration of the vehicle replacement programme and the re-profiling of capital expenditure between years.

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

4.8 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 2018/19 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 which will be adhered to if this proves prudent.

Limits to Borrowing Activity	**2018/19 Original Estimate £000**	**2018/19 Revised Estimate £000**
Gross Borrowing	7,800	7,800
Plus Other Long Term Liabilities Finance Leases	563	845
Anticipated Gross Borrowing as at 31 March 2019	**8,363**	**8,645**
Anticipated Capital Financing Requirement as at 31 March 2019	**1,786**	**1,859**

4.9 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/2018) currently attracting excessive premiums (£2.883m at the time of writing this report) if it were prematurely repaid, it is not financially advantageous for the Council to fully comply with this prudential indicator. A similar issue applies to the fixed rate loan of £3.3m which the Council has with Barclays. This has been the case since the housing stock transfer in 2007 and has been acknowledged and approved by Council since then. In addition, the Council's external auditors have also acknowledged this situation and have not raised any issues with our strategy.

4.10 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	2018/19 Original Estimate £000	2018/19 Revised Estimate £000
Borrowing	15,000	15,000
Plus Other Long Term Liabilities Finance Leases	2,000	2,000
Total Borrowing	**17,000**	**17,000**

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

5 Investment Portfolio

5.1 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. As set out in section 2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis and its impact on banks indicates that the Council should continue to pursue a low risk and short term strategy. This reflects the fact that credit ratings for European and British Banks continue to result in the Council's Treasury Management advisors tending to recommend that amounts should not be deposited with these financial institutions for terms in excess of 12 months. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual, investment returns are likely to remain low.

5.2 The Council held investments of £24.54m as at 30th September 2018 as shown in Appendix A (£19.5m at 31st March 2018) and the investment portfolio yield for the first 6 months of the year is 0.64% (7 day LIBID uncompounded rate 0.44%).

5.3 The interim 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 2018/19. The Council has achieved investment income of £76k to 30th September 2018.The 2017/18 projected outturn of £140k has been revised upwards to £155k.

5.4 The Money Market Fund sector is now in the last stages of introducing new regulations. These will see existing non-government Constant Net Asset Value (CNAV) funds convert to Low Volatility Net Asset Value (LVNAV) pricing, whilst Variable Net Asset Value funds remain unchanged.

5.5 The Council has not currently made use of Money Market funds, though their use is permitted within the current TMSS approved in February 2018.

5.6 As explained at paragraph 3.1 above, the change in Money Market regulations are expected to change in the very early stages of 2019. It is recommended to Council that the use of CNAV, LVNAV and VNAV Money Market Funds be approved.

6 Borrowing Strategy

6.1 The Council's estimated CFR for 2018/19 is £1.859m (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.

6.2 During 2018/19 the council has approved the use of £1.003m of borrowing and the use of lease facilities totalling £0.336m to support capital investment. The decision whether to undertake internal or external borrowing to meet the Council's financing requirements will be undertaken as and when the financing is required based on an assessment of market conditions and the Council's overall financial position at that time.

6.3 It is not anticipated there will be any further borrowing undertaken during this financial year.

7 Debt Rescheduling

7.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling was undertaken during the first six months of 2018/19.

8 Other

UK Banks – ring fencing

8.1 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as 'ring-fencing'. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to 'opt up' and adopt 'ring-fencing'. Several banks are very close to the threshold already and so may come into scope in the future regardless.

8.2 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and 'riskier' activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

8.3 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

APPENDIX A

TEMPORARY INVESTMENTS AS AT 30/09/2018

BORROWER	AMOUNT £000	START DATE	MATURITY DATE	PERIOD IN DAYS	CURRENT INTEREST RATE %
Barclays Bank*	3,540	16/06/14		Flexible Interest	0.60
Santander UK	5,000	15/12/15		180 Day Notice A/C	1.00
Bank of Scotland	1,000	16/05/18	11/10/18	148	0.71
Bank of Scotland	1,000	13/06/18	12/06/19	364	1.00
Lloyds Bank	3,500	15/06/18	11/10/18	118	0.67
Bank of Scotland	3,000	04/07/18	20/12/18	169	0.75
Coventry Building Society	1,000	11/07/18	19/11/18	131	0.60
Nationwide Building Society	2,000	16/07/18	19/12/18	156	0.67
Yorkshire Building Society	1,000	21/08/18	26/11/18	97	0.71
Lloyds Bank	1,500	21/08/18	19/03/19	210	0.88
Eastleigh Borough Council	2,000	03/09/18	28/02/19	178	0.75
Total Investments at 30/09/2018	24,540				

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

This page is intentionally left blank

Agenda Item No:	**7**	Fenland CAMBRIDGESHIRE
Committee:	**Corporate Governance**	
Date:	**20 November 2018**	
Report Title:	**Internal Audit Plan 2018-19 Progress Report Q2**	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2018-19 for the period 01 April 2018 including planned work until 30 September 2018 and the resulting level of assurance.

2 Key issues

- The Council's Internal Audit plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.

- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.

- Performance Standard 2060 of the PSIAS requires the Audit Manager to report to the Committee on the internal audit activity and performance relative to this plan.

- Corporate Governance Committee approved the Internal Audit Plan 2018-19 on 19th March 2018. Members of the Corporate Governance Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.

- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the audit activity which has successfully taken place and the associated assurance level.

- The plan is risk based and covers the organisation's existing operations, while adding value by responding to emerging risks and promoting good governance. Proactive monitoring of the Internal Audit plan will therefore enable the Corporate Governance Committee to understand any in year changes to the plan and the associated risk based rationale for any proposed changes.

3 Recommendations

- For Members of Corporate Governance 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 John Clark-Corporate Governance Committee Chairman
Report Originator(s)	Kathy Woodward – Shared Internal Audit Manager
Contact Officer(s)	Kathy Woodward - Shared Internal Audit Manager kwoodward@fenland.gov.uk 01354 622230 Kamal Mehta – Corporate Officer and CFO (Section 151 Officer) kamalmehta@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2018-19 Internal Audit Outturn and Quality Assurance Review 2017-18

1 Background / introduction

1.1 This report includes details of the audit activity undertaken for the period 01 April 2018 to 30 September 2018, as well as the resulting opinion regarding the associated levels of assurance.

1.2 The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur due to, for example: -

- introduction of new legislation/regulations,
- changes of staff,
- changes in software,
- changes in procedures and processes,
- changes in service demand,

1.3 To date the Internal Audit team have achieved a satisfactory level of planned audits and remain on course to successfully deliver the audit plan for 2018-19.

1.4 The team have also been providing advice to ongoing council projects, particularly Data Protection legislation and the new GDPR guidelines that came into effect in May 2018.

1.5 Audit work includes testing of system controls and management action plans have been agreed with the system owners including timescales for improvement appropriate to the level of risk. These action plans will be followed up by Internal Audit with the appropriate service manager. The table outlined in **Appendix A** provides a generalised indication of the corporate themes identified as a result of the internal audit projects. To date all of the resulting recommendations identified fall outside the 'High' priority rating indicating that control measures across the organisation are effective.

1.6 A key performance objective of the team is to complete ‘fundamental’ audits, which are considered key financial systems. For 2018-19 there were 7 fundamental audits included in the plan. The internal audit team at Fenland has 4 ‘fundamental’ audits to be reviewed as part of this year’s cycle. Following the introduction of the new auditing arrangements with ARP we will also receive completed audit reviews on Housing Benefits, Council Tax, Business rates and Overpayments that have been completed by other partners in the ARP group. Housing Benefits, Council Tax and Business rates are ‘fundamental’ audits.

2 Monitoring

2.1 On completion of each audit a formal report is issued to the relevant Service manager and Corporate Director. A copy is also sent to the Corporate Director – Finance (S151 Officer). Each report contains a management action plan, with target dates, that have been agreed with managers to address any observations and recommendations raised by the Internal Auditor. This forms the basis of the follow-up audit, which is reviewed at 6 monthly intervals to assess progress in implementing the agreed actions.

2.2 The following audits have been completed during the first half of 2018-19.

- Health - Food Safety
- Contract Monitoring – Highways
- Conservation and Regeneration Grants
- Street Scene – Enforcement
- Corporate Assurance - Transparency
- Development – Fee Income
- Members and Committee expenditure
- Payroll – Employee Benefits and Deductions
- Payroll – Expenses and Allowances
- ICT Assets and Disposals
- Debtors and Collection Agency
- Communications

2.3 The following audits are currently ongoing and will be reported to the committee in the next progress report:

- Trading Operations – Yacht Harbour
- Contract Monitoring – Grounds Maintenance
- Licences – Animal Welfare
- ARP Enforcement
- 3C's – Customer Care
- Corporate Assurance – Information and Data Management
- Corporate Assurance – Performance Management
- Corporate Finance – Procurement
- Creditors
- ICT – Administrations and Management
- Payroll

2.4 In addition to the standard audits, Internal Audit also undertook other work during the first half of the year, including;

- Review of FACT as requested by the Chairman of CGC
- Providing advice and guidance to the Transport project
- Providing advice and guidance to departments in relation to GDPR
- Providing advice and guidance for the upgrade of the Council's Finance system.

2.5 Follow up work has also been completed in relation to recommendations made from the 2017-18 internal audit plan. Progress on these recommendations can be seen at **Appendix B.**

APPENDIX A - Audit Activity Successfully Completed between 01 April 2018 - to 30 September 2018

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Health – Food & Safety	Substantial	0	N/A		
Contract Monitoring - Highways	Substantial	0	N/A		
Conservations & Regeneration Grants	Substantial	1	Low	Public Information	
Street Scene - Enforcement	Adequate	2	1 Medium, 1 Low	Financial Monitoring and Procedural review	
Corporate Assurance - Transparency	Adequate	5	5 Medium	Guidance / Timeliness / Responsibility	
Development – Fee Income	Substantial	1	1 Low	Financial	
Members & Committee Expenditure	Substantial	0			
Payroll – Employee Benefits and Deductions	Substantial	0			

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Payroll – Expenses and Allowances	Substantial	4	3 Medium, 1 Low	Policy and System efficiencies	
ICT Assets and Disposals	Substantial	0			
Debtors and Collection Agency	Substantial	1	Medium	Procedural	
Communications	Substantial	0			

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.

Recommendations

- The report is completed with the action plan agreed with management. The observations and recommendations are allocated a grading of High, Medium or Low as defined below:

High	A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that correction action to resolve these will be commenced immediately.
Medium	A control process that contributes towards providing an adequate system of internal control. It is expected that correct action to resolve these will be implemented within three to six months.
Low	These issues would contribute towards improving the system under review. Action should be taken as resources permit.

Appendix B – Recommendation Progress

2017-18 Recommendations	HIGH	MEDIUM	LOW
Total number of recommendations made	**7**	**93**	**32**
Number of recommendations completed	4	39	21
Number of recommendations outstanding (not due)	1	30	11
Number of recommendations overdue	2	24	0

2018-19 Recommendations	HIGH	MEDIUM	LOW
Total number of recommendations made	**0**	**10**	**4**
Number of recommendations completed	0	1	0
Number of recommendations outstanding (not due)	0	9	4
Number of recommendations overdue	0	0	0

Agenda Item No:	**8**	
Committee:	**Corporate Governance**	
Date:	**20 November 2018**	
Report Title:	**Corporate Risk Register quarterly review**	

1 Purpose / Summary

- To provide a quarterly update to the Corporate Governance Committee on the Council's Corporate Risk Register.

2 Key issues

- 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.
- Corporate Governance Committee has asked that the Council's Corporate Risk Register is reviewed and presented to it quarterly.
- The latest Corporate Risk Register (**Appendix A**) is attached to this report.

3 Recommendations

- 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 John Clark - Chairman of Corporate Governance Committee
Report Originator(s)	Sam Anthony – Head of HR&OD
Contact Officer(s)	Paul Medd – Chief Executive Kamal Mehta – (Interim) Corporate Director & Chief Finance Officer Amy Brown – (Interim) Corporate Director Gary Garford – Corporate Director Richard Cassidy – Corporate Director Sam Anthony – Head of HR&OD
Background Paper(s)	Previous review of the Corporate Risk Register: minutes of Corporate Governance Committee for 19/06/18 meeting refer

4 Background / introduction

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

5 Considerations

5.1 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?

5.2 Members and Officers share responsibility for managing risk:-

- Members - have regard for risk in making decisions
- Corporate Governance 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.

5.3 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.

5.4 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.

5.5 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.

5.6 Each year the Risk Management Strategy is reviewed and agreed by Corporate Governance Committee.

5.7 The Corporate Risk Register is very much a "living document"; the Corporate Governance Committee reviews it quarterly.

5.8 Where exceptional new risks present themselves, they can be referred to Corporate Governance Committee urgently as appropriate.

5.9 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.

5.10 Risk awareness is embedded across the Council. Whilst the Risk Management Strategy sets out how all levels of Officers should understand and take risk into account, it is important that risk awareness and management is integral to the Council's culture. To achieve this, risk awareness and training are important.

5.11 It is important that Members have regard for risk when considering matters and making decisions at Council, Cabinet and Committees. In addition, Corporate Governance Committee must take a strategic overview of risk and consider the highest risks to the Council as set out in the Corporate Risk Register.

6 Changes to the Corporate Risk Register

6.1 The Risk Register has been reviewed by the Corporate Risk Management Group and Corporate Management Team, with no changes made to the identified risks.

6.2 Mitigating actions and progress have been updated.

6.3 Commentary regarding all risks and action being taken to ensure current risks are minimised has been updated in the Risk Register.

6.4 All updates are highlighted in green.

7 Next steps

7.1 Officers will continue to bring a reviewed and updated Corporate Risk Register to Corporate Governance Committee on a quarterly basis.

8 Conclusions

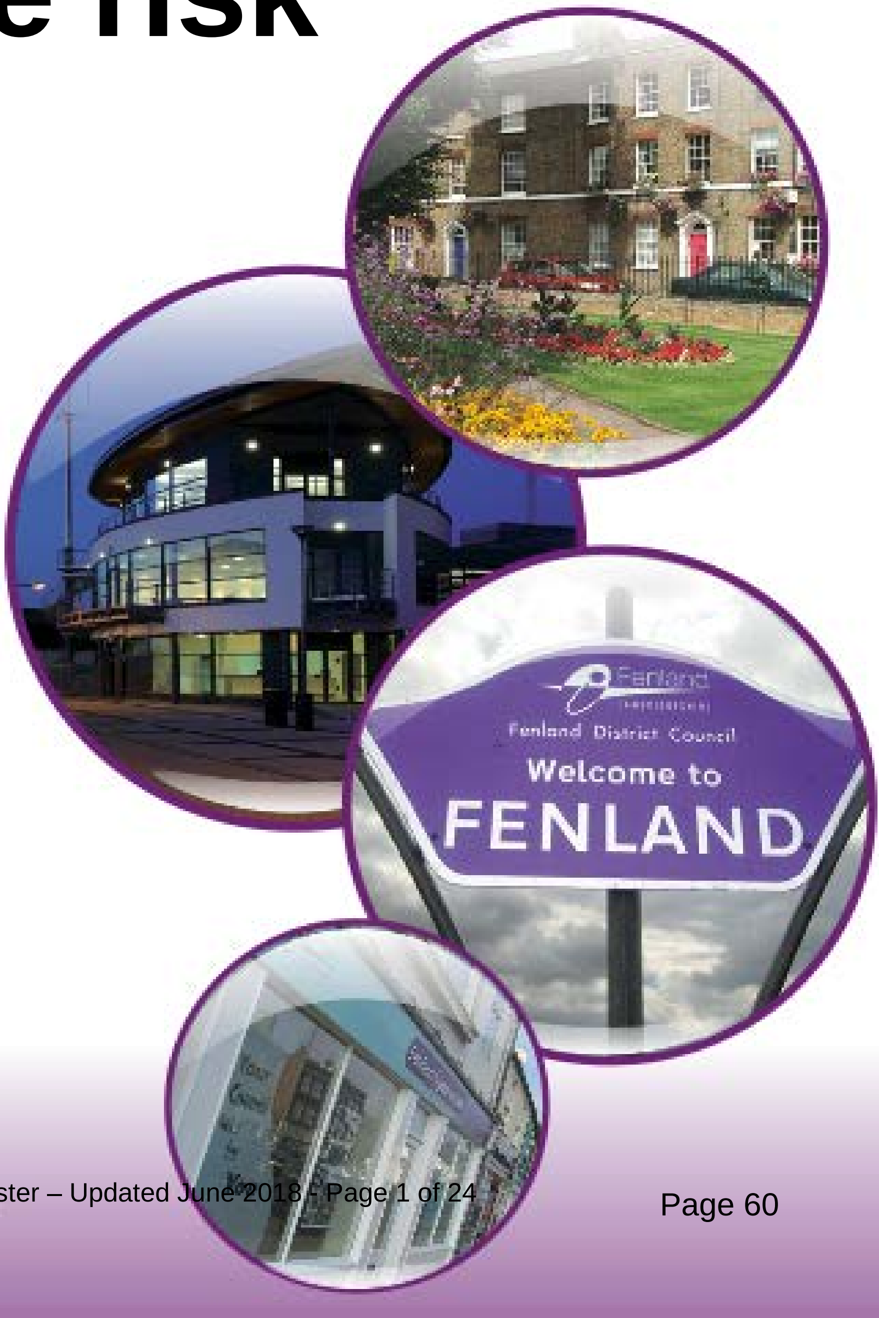
8.1 The risk management process provides assurance for the Annual Governance Statement, which is substantiated by reports from the Council's External Auditors in their issuance of an unqualified audit opinion.

8.2 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 October 2018



Appendix A

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 How risks are scored

2.1 The Council has adopted a consistent scoring mechanism for all risk identification, as it enables risks identified from other system to be escalated to the Corporate Risk Register.

2.2 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.

2.3 The risk score is calculated by multiplying the impact score by the probability score:

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

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

IMPACT x PROBABILITY = RISK SCORE

2.4 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

3 The corporate risk register at a glance

3.1 Please see below for a summary of current risks and their scores. More detail follows in section 3 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	
1	Legislative changes	5	5	25	5	2	10	10
2	Brexit	5	5	25	3	3	9	11
3	Failure of contractors and suppliers working on the Council's behalf	4	5	20	3	4	12	7
4	Failure of IT systems	5	4	20	4	2	8	19
5	Insufficient staff to provide Council services	4	5	20	2	3	6	20
6	Breach of ICT security causes loss of service	5	5	25	2	3	6	21
7	Lack of access to Council premises prevents services being delivered	5	5	25	2	3	6	22
8	Funding changes make Council unsustainable	5	5	25	3	3	9	12
9	The Council's ability to cope with a natural disaster	5	5	25	4	4	16	5
10	Major health and safety incident	4	4	16	4	3	12	8
11	Fraud and error committed against the Council	5	4	20	3	3	9	13
12	Failure of external investment institutions	5	4	20	3	3	9	14
13	Failure of Governance in major partners or in the Council as a result of partnership working	4	5	20	3	3	9	15
14	Failure to achieve savings set out in Council's CSR project and Efficiency Plan	4	5	20	3	3	9	16
15	Over-run of major Council projects in time or cost	4	5	20	3	2	6	23
16	Service provision affected by organisational change	4	2	20	3	4	12	9
17	Political changes in national priorities	5	4	20	5	3	15	6
18	Capital funding strategy failure	5	4	20	3	3	9	17
19	Poor communications with stakeholders	4	5	20	3	3	9	18

4 Corporate risk register

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
9	Risk:- The Council's ability to cope with a natural disaster. Effects:- Natural disaster; malicious or accidental incident affects support required by civilians or disrupts existing Council services.	5	5	25	• Emergency plan • Emergency planning exercises beyond the district • Business continuity plans • Regular exercise and joint public sector workshops for Emergency Planning • Emergency Planning Communications 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	• Regularly test Emergency Plan • Test Service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training	Key staff such as Paul Medd attend regular multi-agency briefing and planning meetings. Management Team conducted an exercise in May and September 2018 to test our readiness for an emergency. Recovery Training has been delivered to all senior managers by the Cambridge and Peterborough Local Resilience Forum (CPLRF)

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
17	Risk:- Political changes in national priorities 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.	5	4	20	• 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	5	3	15	Paul Medd	• Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Resources identified, approved and implemented without delay.	The risks of legislative change remain high as a result of the effects if the Brexit negotiation process, albeit that Brexit itself has been identified as a risk to the Council.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
3	Risk:- Failure of contractors and suppliers working on the Council's behalf Effects:- Failure of contractor or partners to deliver services or meet agreed performance objectives leads to additional costs or failed objectives.	4	5	20	• 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	3	4	12	CMT	• Regular monitoring of contracts and performance by Managers. • Ensure that contracts have risk registers and mitigation in event of contract failure.	We have appointed a partner to operate Leisure Services from late 2018. Included within the contact is the requirement for contingency in case of service failure. Potential contractors are always checked for financial stability by the Accountancy team before contracts are let. 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. We are carefully monitoring risks of supplier failure such as Capita issuing a profits warning over recent months.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
10	Risk:- Major health and safety incident Effects:- Major Health & Safety incident at Council leads to costs for inquiry, disruption to service and possible prosecution	4	4	16	• Health & Safety (H&S) Panel • H&S procedures – addressed at every service area • H&S audits in all services • Specialist H&S advisor • Corporate wide H&S training • Insurance • Aligned Port Health and Safety arrangements • Port Management Group and annual independent audit	4	3	12	Kamal Mehta /Gary Garford	• Ensure health and safety is standard agenda on all team meetings. • Ensure equipment inventory and inspections are up to date. • Review Risk Assessments and Action Plans. • Capture Port near misses and asses learning points	A thorough Health and Safety regime at the Council ensures that the residual risk remains carefully managed Programme of ongoing refresher training is ongoing

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
16	Risk:- Service provision affected by organisational change Effects:- Service provision and performance affected by organisational change, industrial action and/or staff sickness resulting in complaints, poor performance and possible further costs.	4	5	20	• Working environment / org culture • Staff Committee • Consultation with Staff Side • Flexible working • Established suite of people policies & procedures • Business continuity plans • Management training • "Springboard" appraisal for all staff support and development • CMT monitor and lead on human resource management. • Regular performance monitoring and management • IIP • Access to interim arrangements	3	4	12	Kamal Mehta	• Business continuity plans for each service. • Culture of Council remains effective.	Plans regularly checked and tested. Services have reviewed their Business Continuity Plans in the light of wider local government lessons learnt from the Grenfell Tower fire. All services have up to date Business Continuity Plans in place.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
1	Risk:- Legislative changes Effects:- Changes arising from Central Government or EU legislation requiring significant alteration to organisational capacity, such as impact of welfare reform and universal credit, effects of devolution, introduction of new burdens.	5	5	25	• Monitoring Officer • Horizon scanning by Legal/CMT/Mgt Team • Service Manager responsibilities • Financial & workforce planning • Membership of professional/ Local Gov bodies aids horizon scanning • Mgt 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	5	2	10	Carol Pilson/ Amy Brown	• 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.	Officers continue to horizon-scan for legislative changes and their effects. We have implemented enhanced legislative requirements with regards homelessness contained within the Homelessness Reduction Act. Further news on the longer term future of Local Government funding are still awaited. The Corporate Director and Section 151 officer sits on DWP national working group regarding the implementation of Universal Credit. The most recent change has been that the General Data Protection Regulation which came into force on 25th May 2018. The Council has compiled an Information Asset Register of all records it hold 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. The majority of information held by the Council is held with a legal basis for holding such as election and Council Tax records.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
2	Risk:- Brexit Effects:- Uncertainty during transition period, followed by potential legislative, funding and policy changes after UK leaves EU may adversely affect the Council and its ability to provide services.	5	5	25	• Horizon scanning by Legal Services / CMT / Heads of Service • Financial & workforce planning • Membership of professional and Local Govt bodies aids horizon scanning • Management of change approach to mitigate against significant impact to the organisation and its staff • Detailed project plans to manage implementation of changes	3	3	9	Kamal Mehta/ Amy Brown	• Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Identifying policies that require changing, their effects and governance as Brexit effects start.	We continue to monitor progress and take account of any effects on local government as they emerge. The Council is an active partner of the Cambridge and Peterborough Local Resilience Forum (CPLRF), who have been tasked with looking at the potential impacts of a "No Deal" Brexit, and the associated local Impact. This is being led by the Cambridgeshire Fire and Rescue Service

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
8	Risk:- Funding changes make Council unsustainable Effects:- Economic changes, imposed savings requirements, changes to local government funding systems, uncertainties of pilot pension fund. Financial Mgt of NNDR, CTS leads to change in income /spending making Council unsustainable.	5	5	25	• S151/ Chief Finance Officer • Financial Regulations & Standing Orders • Appropriately trained staff • MTFS • Professional economic forecasts • Community consultation on service priorities • Our CSR programme • Political decisions linked to budget strategies • CMT efficiency planning • Efficiency Plan and CSR plan. • Executive steer of service /capital priorities. • Review fees /changes. • Reserves • Financial Mgt System • Budget monitoring.	3	3	9	Kamal Mehta	• 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.	We are closely watching local government finance and the 2018-19 Council budget and Medium Term Financial Plan reflects how the Council will balance its budget and maintain appropriate reserves. Cabinet considered the Council's positive financial outturn position in May 2018. The Fair Funding Review and Business rate Retention Scheme is being reviewed nationally, and there is some potential for this to impact on the Council's long-term financial position. Until this review is complete, the impact will be unknown, but the Council will continue to monitor the risk rating.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
11	Risk:- Fraud and error committed against the Council Effects:- Potential for fraud, corruption, malpractice or error, by internal or external threats. In additional to immediate financial loss, this could harm reputation and lead to additional inquiry costs and penalties.	5	4	20	• 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	Kamal Mehta and Carol Pilson/ Amy Brown	• Increase staff vigilance • Fraud awareness training for Managers • Raise profile internally and externally for successful prosecutions	The Council has assisted with each annual National Fraud Initiative, cross-matching information with records held nationally.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
12	Risk:- Failure of external investment institutions Effects:- Failure of external investment institutions affecting availability of funds or return on investment reducing cash flow and resource availability	5	4	20	• Policy for maximum investment/ borrowing levels limits liability • Credit ratings • Financial management • Reserves • Insurance • Medium Term Financial Strategy • Treasury Management Strategy	3	3	9	Kamal Mehta	• Effective Treasury Management strategy. • Robust auditing of processes and policies.	The Council's treasury management position is regularly reviewed and is currently showing a good position. The Treasury Management Annual Report was considered by Cabinet and Council in May 2018.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
13	Risk:- Failure of Governance in major partners or in the Council as a result of partnership working 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, Payroll delivered by Bedford BC.	4	5	20	• FSP, Fenland Public Service Board, Cabinet and O&S, bi-annual stakeholder events ensure accountability • 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	Carol Pilson / Amy Brown/ Kamal Mehta	• Assurance that governance models correctly followed and in the Council's interests. • Support Members in governance of partnership bodies. • Internal Audit partnership arrangements. • Ensure that the Council's interests are protected as Members of the Combined Authority and as Officers working on joint projects.	The Annual Governance Statement being reported to Corporate Governance Committee in June 2018 shows the Council is in a strong governance position. Scrutiny of ARP and Planning takes place on an annual basis and Cabinet members sit on Boards to ensure the effective delivery of partnership arrangements such as CNC Board for building control.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
14	Risk:- Failure to achieve savings set out in Council's CSR project and Efficiency Plan 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.	4	5	20	• 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	3	3	9	CMT	• Robust control of corporate Transformation Plan. • Regular progress reports and assurance to Members.	Delivery of CSR continues including delivering savings planned for in the Council's annual budget and medium term financial strategy. Cabinet considered the Council's positive financial outturn position in May 2018. Further 'Pipeline' savings to be identified post May 2019.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
18	Risk:- Capital funding strategy failure 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	5	4	20	• Asset mgt plan • Asset disposal linked to capital programme • Corporate Asset Team • CMT monitoring of capital receipts/effect on capital prog' • Regular Cabinet review of the capital prog' , member with responsibility for assets • Additional funding opp's 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 ptners	3	3	9	Gary Garford / Kamal Mehta	• Forward planning and horizon scanning. • Regular high level monitoring of direction of travel and mitigation required. • Asset Management Plan. • Asset disposal strategy	The Council's capital funding programme is regularly reviewed by Officers and by Cabinet. 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. Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure. Reviews of the programme and resources available are carried out regularly during the year.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
19	Risk:- Poor communications with stakeholders Effects:- Poor communication with stakeholders and staff leads to poorly informed direction of resources and lack of support for change	4	5	20	• 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 • Investors in People accreditation • New consultation strategy now live	3	3	9	Carol Pilson/ Amy Brown	• CSE Action Plan. • Staff survey. • Public consultations on key issues. • 3cs refresher training	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

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
4	Risk:- Failure of IT systems 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.	5	4	20	• 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	2	8	Carol Pilson / Amy Brown/ Kamal Mehta	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Regular review of business continuity plans	GDPR is now live, see risk 1. An additional internet feed to Fenland Hall has been installed to improve resilience.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
5	Risk:- Insufficient staff to provide Council services 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.	4	5	20	• 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	2	3	6	CMT	• Ensure all services have effective Workforce plans incorporated into Service Plans. • Effective succession planning.	Services have published workforce plans for 2018-19 to ensure teams are staffed according to current establishment and to take account of longer-term trends. A recruitment process for additional rest centre staff is underway to replace those staff who will transfer to the new leisure provider in December. We are working with the CAB and ARP to support with the impact of the Universal Credit roll out from September; we are currently monitoring any changes to call levels as a result of this and flexing Council resources where possible.

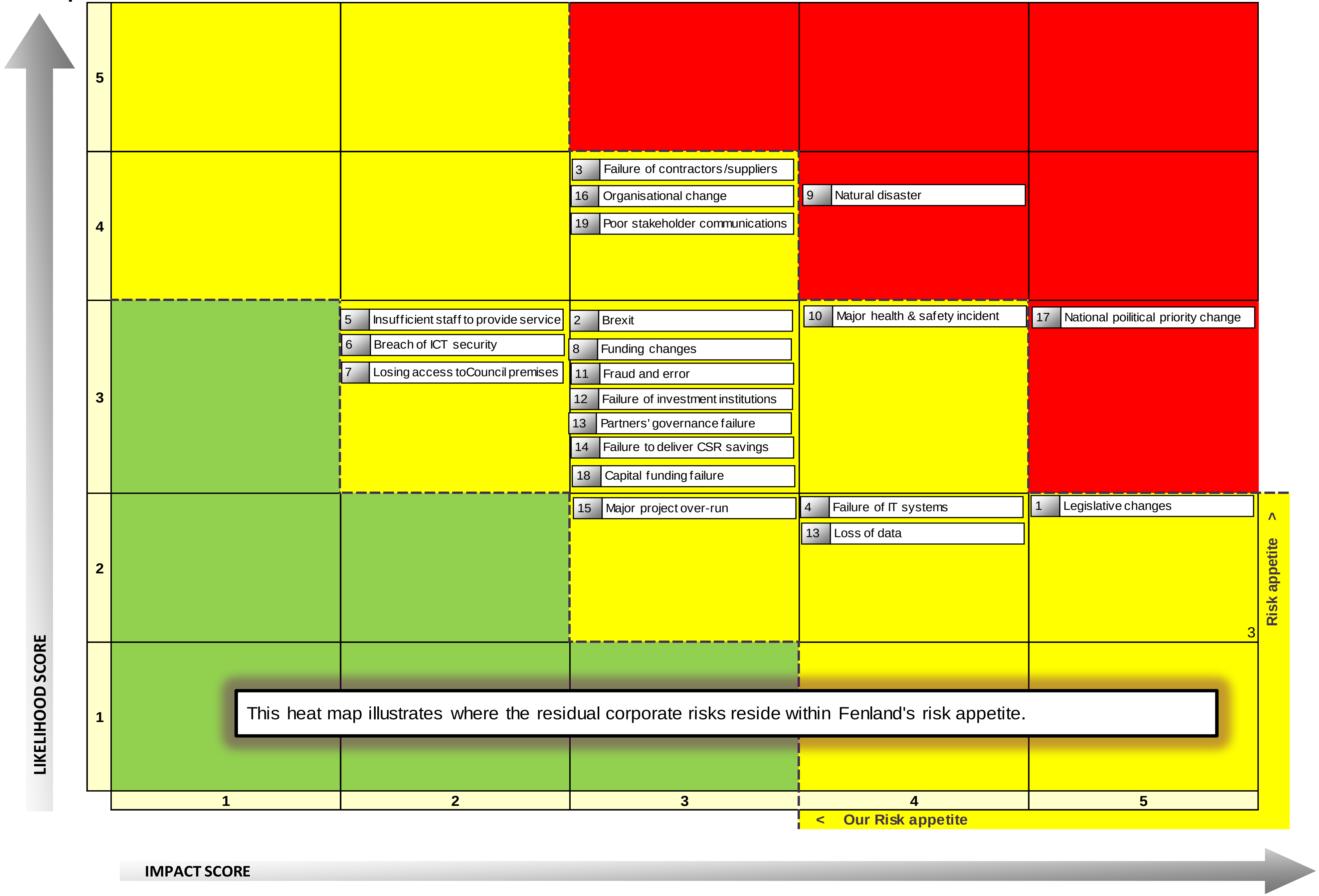
Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
6	Risk:- Breach of ICT security causes loss of service 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.	5	5	25	• 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	2	3	6	Kamal Mehta	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing.	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. 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.

Reference	Risk and effects	Risk if no action: Impact	Risk if no action: Likelihood	Risk if no action: Score	Mitigation	Current risk: Impact	Current risk: Likelihood	Current risk: Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
7	Risk:- Lack of access to Council premises prevents services being delivered Effects:- Disruption of service provision.	5	5	25	• 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	2	3	6	Gary Garford	• Regularly test Emergency Plan • Test service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training	Plans regularly checked and tested and emergency planning exercise was conducted last month.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
15	Risk:- Over-run of major Council projects in time or cost Effects:- Failure to manage projects effectively leads to overruns on time or cost and failure to achieve project aims.	4	5	20	• Project Management methodology • Contract Standing Orders & Financial Regulations • Service plans • Budgetary control • Management and Portfolio Holder oversight	3	2	6	CMT	• Robust project management. • Effective risk registers for projects.	Effective project management remains a Council priority. The Council has appointed a partner to operate Leisure Services from December 2018. The contract covers contingency in case of service failure. Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings.

Appendix A

5 Heat map – residual risk



This page is intentionally left blank