Public Document Pack

Fenland CAMBRIDGESHIRE
Fenland District Council

100% people driven

AGENDA

CORPORATE GOVERNANCE COMMITTEE

TUESDAY, 4 FEBRUARY 2020

2.30 PM

COUNCIL CHAMBER, FENLAND HALL, MARCH

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 5 November 2019.

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 2018/19. (Pages 9 - 34)

To receive the independent external auditors, Ernst &Young (EY), Annual Audit Letter for 2018/19.

6 Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2020/21. (Pages 35 - 72)

The purpose of this report is to provide Members with information on the proposed Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2020/21.

7 Data Protection Policy Update. (Pages 73 - 94)

To provide the Corporate Governance Committee with a revised Data Protection Policy, the changes to which have arisen from a recent internal audit regarding the organisations compliance with General Data Protection Regulation (GDPR).

8 Corporate Risk Register quarterly review. (Pages 95 - 128)

To provide an 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, 27 January 2020

Members: Councillor J Clark (Chairman), Councillor K French (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor S Clark, Councillor D Divine, Councillor Mrs J French, Councillor M Purser, Councillor D Topgood, Councillor Wicks and Councillor Wilkes

CORPORATE GOVERNANCE COMMITTEE

Fenland
CAMBRIDGESHIRE
Fenland District Council

TUESDAY, 5 NOVEMBER 2019 - 2.30 PM

PRESENT: Councillor J Clark (Chairman), Councillor K French (Vice-Chairman), Councillor I Benney, Councillor S Clark, Councillor D Divine, Councillor Mrs J French, Councillor D Topgood, Councillor Wicks, Councillor Wilkes and Councillor W Sutton

APOLOGIES: Councillor G Booth and Councillor M Purser

OFFICERS IN ATTENDANCE: Izzi Hurst (Member Services & Governance Officer), Anna Goodall (Head of Governance and Customer Services), Mark Hodgson, Neil Krajewski (Deputy Chief Accountant), Mark Saunders (Chief Accountant), Amalia Valdez Herrera and Kathy Woodward (Internal Audit Manager)

CGC16/19 PREVIOUS MINUTES.

The minutes of the meeting of 29 July 2019 were confirmed and signed.

CGC17/19 APPOINTED AUDITOR - AUDIT RESULTS REPORT (ISA260)

Members considered the Appointed Auditor – Audit Results Report (ISA260), presented by Mark Hodgson from Ernst & Young (EY).

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

1. Councillor Wicks asked for further information on the Council's pension liability (page 20 of the agenda pack). Mark Hodgson explained that this figure is not a concern as, whilst it is a liability, the Council will never have to pay it in full at once. He added that the figure has to be included for accounting purposes.
2. Councillor Wicks asked what efforts have been made to reduce this figure. Mark Hodgson confirmed that the pension fund has sufficient funds to cover itself over the life span of the fund and it is 99.8% funded. He reiterated that this is an accounting number and not a 'cash' number.
3. Councillor J Clark agreed that whilst this figure is very high, members of the previous Corporate Governance Committee had received a presentation from the Cambridgeshire Pension Fund Provider and this had assured members that there are no concerns in relation to this liability.
4. Mark Saunders explained that the Council pay contributions set by the pension actuaries to ensure that the fund stays fully funded and these contributions are set every three years. He confirmed that the Council are currently waiting for the latest figures to be released.
5. Peter Catchpole assured members that in most Local Authorities accounts, the Council's pension liability is the largest figure on the balance sheet and reiterated that the Council pay contributions set by the pension actuaries.
6. Councillor Sutton suggested that another seminar is held for members of the Corporate Governance Committee in relation to the Council's pension liabilities. Mark Saunders asked that this is held after the updated contributions have been released by the pension actuaries. Members agreed to this.
7. Councillor Sutton said whilst he understands the delay in this report being released to

members prior to the meeting, he asked that every effort is made to ensure that this does not happen again.
8. Councillor J Clark agreed and asked that if there are future delays with EY, the Corporate Governance Committee meeting is postponed to allow members sufficient time to consider the report.
9. Councillor J Clark asked for further information on the valuer used by the Council in relation the 'Valuation of land and buildings' (page 19 of the agenda pack). Mark Saunders confirmed that an independent valuer is selected every three years following a tender process.

Councillor J Clark thanked Mark Hodgson and Amalia Valdez Herrera for their attendance at today's meeting.

The Corporate Governance Committee noted the contents of the Appointed Auditor – Audit Results report (ISA260).

<u>CGC18/19 STATEMENT OF ACCOUNTS 2018/19.</u>

Members considered the Statement of Accounts 2018/19 report, presented by Neil Krajewski.

Neil Krajewski informed members that there may be some minor adjustments to the Statement of Accounts following the external auditors work however no substantial changes are expected.

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

1. Councillor Sutton asked that officers, in future, highlight any amendments via track changes or provide members with a narrative of these changes. Mark Saunders confirmed that the only amendments have been purely for presentational purposes and no figures in the primary statements have been amended.
2. Peter Catchpole confirmed that significant changes will be reported to members. Councillor J Clark asked that these are highlighted to members in future. Mark Saunders agreed to do this.
3. Councillor Wicks suggested that it would be helpful for members if the balance sheets included notes showing variances and the reasoning behind these. Mark Saunders agreed.
4. Councillor J Clark highlighted that the Council have £1.66 million of savings to identify over the coming years. He asked for further information on the figures relating to the Ports and Markets. Mark Saunders highlighted that these figures are shown on page 133 of the agenda pack.
5. Councillor J Clark asked for further information on the Council's mini factories and estates. Mark Saunders explained that these were considered as part of the Overview and Scrutiny Panel's Economic Development Review and agreed to circulate a breakdown of these figures to members.
6. Councillor J Clark stated that both the Boathouse, Wisbech and South Fens, Chatteris were funded largely by European grants and yet these assets are operating at a loss. He asked how the Council can move forward commercially if these areas are currently underperforming financially. Mark Saunders clarified that only half of these premises were funded by grants and detailed breakdowns of these premises were considered as part of the Economic Development Review. He agreed to provide these figures to members.
7. Councillor J Clark suggested that the Corporate Governance Committee refer this matter to Cabinet to consider.
8. Councillor Sutton said he has raised this issue for many years but reminded members that the day-to-day running costs of these premises do show a profit however the overheads allocated then show them operating at a loss. He suggested that consideration be given to options to outsourcing the management of these premises to third party operators.
9. Councillor J Clark agreed with this suggestion but reminded members that this

recommendation is outside of the Corporate Governance Committee's remit.

10. Peter Catchpole reminded members that under CIPFA guidelines, recharge figures must be included in the accounts which can cause presentational issues and distort the reality of these figures. He reiterated that detailed analysis of this had been undertaken as part of the Economic Development Review. He added that if these were private sector accounts, the overheads would not be included in the same way as required by a Local Authority.
11. Councillor J Clark agreed and stated that the overheads and recharge figures need to be considered.
12. Councillor Wicks suggested that the viability could be assessed by analysing the return on the capital investment of these premises. Peter Catchpole confirmed that as part of the Commercial Investment Strategy (CIS) consideration will be given to the return and yield.
13. Councillor Mrs French proposed that this issue is referred to Cabinet for consideration.

The Corporate Governance Committee AGREED;

1. **To approve the Statement of Accounts and Annual Governance Statement for the financial year ended 31 march 2019.**
2. **To delegate authority to the Corporate Director and Chief Finance Officer to agree any further amendments to the statement of accounts which may arise prior to the final 'sign off' by the external auditors, in consultation with the Chairman and the Vice-Chairman of the Corporate Governance Committee.**
3. **To write a letter to the Leader and Cabinet in relation the trading accounts for the mini-factories, estates and office units.**

CGC19/19 LETTER OF REPRESENTATION

Members considered the Letter of Representation presented by Mark Saunders.

The Corporate Governance Committee APPROVED the content and form of the letter of representation to be signed by the Chairman of the Corporate Governance Committee and the Council's Chief Finance Officer.

CGC20/19 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW 2019/20.

Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2019/20, presented by Mark Saunders.

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

1. Councillor Wicks asked for clarification on the property funds mentioned in the report (page 184 of the agenda pack). Mark Saunders confirmed that these are managed funds that invest in a wide range of property.
2. Councillor Wicks asked if the Council invest in gilts and bonds. Mark Saunders said whilst these offer a fairly secure investment, the returns are low and the Council's treasury advisors have not highlighted these as a recommended area of investment.
3. Councillor Sutton highlighted that the increase in the interest rate of Public Work Loans Board (PWLB) will only affect future borrowing as the Council's current loans benefit from a fixed rate.
4. Councillor Sutton asked if the Council lend money to other Local Authorities. Mark Saunders confirmed that whilst the Council has done this previously, it is a rare occurrence.
5. Councillor Sutton asked if the Council's treasury advisors have upgraded or downgraded any lenders recently. Mark Saunders confirmed that the ratings have remained fairly static over recent years and whilst the Council tend to select the highest rated organisations there are lots of lower rated good organisations available that offer higher rewards.

6. Peter Catchpole highlighted that the Council need to assess their risk appetite and preferred balance of risk and reward.
7. Councillor Sutton added that Local Authorities cannot take too many risks as it is public funds being used.

The Corporate Governance Committee noted the report.

CGC21/19 INTERNAL AUDIT PLAN 2019-20 PROGRESS REPORT Q2

Members considered the Internal Audit Plan 2019-20 Progress Report Q2 presented by Kathy Woodward.

Kathy Woodward confirmed that due to a member of staff leaving the Internal Audit team, resource is being utilised from the Borough Council of Kings Lynn & West Norfolk (BCKLWN). Due to this, the audit plan has been revised accordingly.

Kathy Woodward confirmed in relation to the Freedom Leisure Contract, an audit had been carried out on this area and she provided assurance to members that she has no concerns in relation to the contract management arrangements.

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

1. Councillor Mrs French thanked Kathy Woodward for her work on the Internal Audit Plan despite the shortage of resource in the Internal Audit team.
2. Councillor Sutton agreed and thanked Kathy Woodward and the Finance team for their work.
3. Councillor Sutton highlighted that the Council's Internal Audit team has lost one full-time equivalent (FTE) member of staff, but the proposal is for only 31 hours of resource from the BCKLWN and asked if this was sufficient resource. Kathy Woodward confirmed that the Council's service level agreement (SLA) with the BCKLWN will be assessed to ensure adequate resource is in place. She explained that as the Internal Audit manager at BCKLWN too, she has utilised the officers there who have prior audit experience and background knowledge to carry on specific internal audits in the Council. By doing this, this will save valuable time as the background work has been carried out and there is an experienced team in place to ensure the internal audits are carried out as efficiently as possible.

The Corporate Governance Committee considered and noted the activity and performance of the internal audit function.

(Councillor S Clark declared an interest by virtue of the fact that she is a member of a Freedom Leisure Centre)

CGC22/19 DATA PROTECTION POLICIES.

Members considered the Data Protection Policy reports, presented by Anna Goodall.

Anna Goodall informed members that she would be reporting back to the Corporate Governance Committee, any updates in relation to the Council's Data Protection obligations on a quarterly basis.

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

1. Councillor Mrs French thanked Anna Goodall for her work on this report.
2. Councillor Sutton asked for further clarification in relation to the 72 hour window of time to

report data breaches to the Information Commissioner's Office (ICO). Anna Goodall explained that the ICO stipulated a 72 hour reporting timeframe to highlight the urgency of reporting higher risk breaches. She added that the ICO understands that there will be instances in which a data breach is not realised until after this period of time however.

3. Councillor Sutton asked if members are still responsible for their individual registration with the ICO as data controllers. Anna Goodall confirmed that since April 2019, members are now encompassed within the Council's registration as a data controller.
4. Councillor Mrs French suggested that an All Member Seminar is held in relation to these policies. Peter Catchpole agreed and stated that the recent General Data Protection Regulations (GDPR) training held by Anna Goodall and her team had been well received by those members in attendance.
5. Peter Catchpole added that this information will also be circulated to officers across the Council.

The Corporate Governance Committee AGREED;

1. **The revised Data Protection Policy as outlined in Appendix 1 of the report, which applies to all staff and elected members**
2. **The Data Security Policy as outlined in Appendix 2 of the report, which applies to all staff and elected members**
3. **The Reporting Personal Data Breaches Policy and Procedure as outlined in Appendix 3 of the report, which applies to all staff and elected members.**

3.47 pm Chairman

This page is intentionally left blank

Agenda Item No:	5	
Committee:	Corporate Governance Committee	
Date:	4 February 2020	
Report Title:	Annual Audit Letter 2018/19	

Cover sheet:

1 Purpose / Summary

To receive the independent external auditors, Ernst &Young (EY), Annual Audit Letter for 2018/19.

2 Key issues

- The external audit findings for 2018/19 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.
- The external auditors Audit Results Report for 2018/19 was presented to this committee on 5 November 2019. The auditor's certificate was issued on 27 November 2019 confirming an unqualified opinion on the Financial Statements for 2018/19.
- 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.
- Members will be aware of the resourcing difficulties encountered by EY during 2019 which resulted in a delay in completing the accounts audit and issuing of their audit certificate for 2018/19. EY are currently finalising their plans for the 2019/20 audits and these will be presented to this Committee at the next meeting.

3 Recommendation

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

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr John Clark, Chairman of Corporate Governance Committee Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	2018/19 Audit Results Report (ISA260)

Fenland District Council

Annual Audit Letter for the year ended 31 March 2019

19 December 2019

EY
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).

This 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 April 2018)' 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 Audit Results Report 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 our 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 2019. 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 2019 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 £500 million. 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 1 November 2019.
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 27 November 2019.

In March 2020 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.

MARK HODGSON

Mark Hodgson

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 2018/19 Audit Results Report to the 5 November 2019 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 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 January 2019 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 2018/19 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 the 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 £500 million. Therefore, we did not perform any audit procedures on the return.

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

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 27 November 2019.

Our detailed findings were reported to the 5 November 2019 Corporate Governance Committee.

Risk of management override of control

What was the risk?

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. Linking to our risk of fraud we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment. The specific procedures undertaken to address this are set out on the next page. This page details the standard procedures we undertake to respond to the risk of fraud and error on every engagement.

What did we do and What judgements are we focused on?

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

We did not identified any material weaknesses in controls or evidence of material management override.

We did not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Significant Risk

Significant risk

Incorrect capitalisation of revenue expenditure

Significant Risk

What is the risk?

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.

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme (see above).

What did we do and what judgements are we focused on?

In order to address this risk we carried out a range of procedures including:

- Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature;
- Performing sample testing on additions to Property, Plant and Equipment, ensuring that they had been correctly classified as capital and included at the correct value, to identify any revenue items that have been inappropriately capitalised; and
- Testing the appropriateness of journal entries recorded in the general ledger moving expenditure items from revenue codes to capital codes.

What are our conclusions

Our testing did not identify any items incorrectly classified as revenue expenditure.

Other Areas of Audit Focus

Valuation of land and buildings – inherent risk

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council'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.

The Council will engage an external expert (valuer) who will apply a number of complex assumptions to these assets. Assets are assessed annually to identify whether there is any indication of impairment.
As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk that these assets may be misstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What did we do and what judgements are we focused on?

In order to address this risk we carried out a range of procedures including:

- We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have undertaken sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We have considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered whether there were any specific changes to assets and that these had been communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions

Following full consideration of their work, we placed reliance on the Council's valuation expert.

We did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.

Other Areas of Audit Focus

Pension Liability Valuation – Inherent Risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £64.4 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates

What did we do and what judgements are we focused on?

We have performed the following procedures:

- Liaised with the auditors of Cambridgeshire Pension Fund, and obtained assurances over the information supplied to the actuary in relation to Fenland District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within Fenland District Council's financial statements in relation to IAS19.

What are our conclusions

We assessed and were satisfied with the competency and objectivity of the Council's actuary. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries and have deemed the assumptions used to be reasonable. In addition, there was an ongoing national issue in relation to IAS19 pension fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.

The draft financial statements had recognised this matter as a contingent liability. However, since the year-end there was some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. The Guaranteed Minimum Pension ruling has also had an impact on the pension liability.

In summary, the changes would increase the past service costs and in turn the pensions liability figure by approximately £0.428 million. Management chose not to adjust the financial statements for this item. This rationale was considered and approved by the Corporate Governance Committee and the full rationale was provided to us within the Council's Letter of Representation.

Other Areas of Audit Focus

New Accounting Standards – inherent risk

What is the risk?

The CIPFA Code of practice on local authority accounting (the Code) requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:

IFRS 9 financial instruments:

This new accounting standard 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 Code provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 Revenue from contracts:

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.

The 2018/19 Code provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non-domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced

What did we do and what judgements are we focused on?

- Assessed the Council's implementation arrangements and impact assessment of the application of the new standard, transitional adjustments and accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed the new expected credit loss model impairment calculations for assets;
- Considered the application to the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements.

What are our conclusions

We concurred with management that the introduction of these standards did not have a material impact on the Council's financial statements.

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 £1.1 million (2018: £1.1 million), which is 2% of gross expenditure on provision of services reported in the accounts of £55 million adjusted for parish precepts, precepts paid to internal drainage boards, gains/losses on the disposal of fixed assets, and interest charges. We consider gross expenditure on provision of services 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 £55,000 (2018: £57,000)

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: reduced materiality level of £5,000 applied in line with bandings disclosed.
- Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

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.

We did identify one significant risk in relation to these criteria - Sustainable resource deployment: Achievement of savings needed over the medium term .

As a result of completing our planned procedures, we were satisfied that the Council's General Fund reserve balance at the 31 March 2022 will remain above the Council's approved minimum level.

We therefore issued an unqualified value for money conclusion on 27 November 2019.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. 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 2018/19 financial statements from members of the public.

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.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to Corporate Governance Committee on 5 November 2019. 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.

We did not identify any significant deficiencies in internal control during our audit.

07 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 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 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 2020/21 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 2020/21 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.
IASB Conceptual Framework	The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year. This introduces; – new definitions of assets, liabilities, income and expenses – updates for the inclusion of the recognition process and criteria and new provisions on derecognition – enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.	It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements. However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.

08 Audit Fees

Audit Fees

Our final fee for 2018/19 as expected, at the scale fee set by the PSAA and reported in our 1 November 2019 Annual Results Report.

Description	Final Fee 2018/19 £'s	Planned Fee 2018/19 £'s	Scale Fee 2018/19 £'s	Final Fee 2017/18 £'s
Total Audit Fee – Code work	37,823	37,873	37,873	49,186
Other Audit work – Harbour Act 1964 Audit Report	2,600	2,600	N/A	1,537
Total Audit Fee – Certification of claims and returns	TBC (Note 1)	14,960	N/A	14,262

Note 1 – From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

- As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.
- The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

We will confirm our final fees following the completion of our work and report this within our Annual Grant Certification Report.

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 6

Agenda Item No:	6	
Committee:	Corporate Governance Committee	
Date:	4 February 2020	
Report Title:	Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2020/21	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to provide Members with information on the proposed Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2020/21.

2 Key issues

- The prudential and treasury indicators detailed in paragraphs 2-12, show that the Council's capital investment plans are affordable, prudent and sustainable.
- The Capital Strategy sets out the context in which capital expenditure and investment decisions are made and establishes that the Council has arrangements in place to ensure it gives due consideration to risk, reward, and impact on the achievement of priority outcomes.
- The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium term forecast.
- The Treasury Management Strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows.
- Due to the Council's long term PWLB debt portfolio (£4.5m at 31/03/19) currently attracting excessive premiums; it is not financially advantageous for the Council to comply with the gross borrowing and capital financing prudential indicator.
- Total external interest which includes finance lease interest payments; revised estimate for 2019/20 is £502,190 and the estimate for 2020/21 is £568,190. Additionally, in the extreme case, if the authority were to borrow £25M on 1st April 2020 to fund schemes taken forward as part of the Commercial and Investment Strategy this would attract annual interest payments of £602,500 per year from 2020/21onwards.
- Bank rate is assumed to increase steadily but slowly over the next few years to reach 1.25% by quarter 2 2022.
- The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2023.

- The aim of the Council’s annual investment strategy is to provide security of investments whilst managing risk appropriately; investment returns are commensurate with the Council’s historic low risk appetite although we are in the process of transition as a Council from a low risk policy to an appropriate managed risk policy. The Council achieves these objectives through differentiating between “specified” and “non-specified” investments and through the application of a creditworthiness policy.
- Total investment income is an estimated £200,000 for 2019/20 and £170,000 for 2020/2021. These are based on historic low risk investments and do not yet reflect the proposed new approach to managing risk, including potential investment in property funds.

3 Recommendations

It is recommended that:-

- Corporate Governance Committee endorses the strategy detailed in this report to be included in the final budget report for 2020/21.

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

Report:

1 Introduction

1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's assessment of its risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

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

1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

2 Capital Strategy Reporting Requirements

2.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional document, a Capital Strategy (see Appendix A attached), which will provide the following:

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

2.2 The aim of the Capital Strategy is to ensure that all elected members on full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy has been substantially revised and updated from that approved in February 2019 to reflect decisions taken by members in this financial year which have culminated in the approval of a Commercial and Investment Strategy for the Council.

2.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the articulation of the Council's arrangements to identify, pursue and monitor commercial investments in accordance with the approach set out in the recently-approved Commercial and Investment Strategy The capital strategy explains:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (incorporating but not restricted to the MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

2.5 Where the Council has borrowed to fund any non-treasury investment, i.e. an investment where the principal motivation for making the investment is to profit from the sums invested there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

2.6 If any non-treasury investment sustains a loss during the final accounts and/or audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

2.7 The Council's Commercial and Investment Strategy was approved in January 2020. The upcoming 2020/21 financial year will be the first year in which any non-treasury investments may be undertaken in accordance with the provisions of this policy. At its meeting on 9 January 2020 Council noted the proposed intention that the newly-established Investment Board would be permitted to invest up to £25M which would be funded from a combination of borrowing and use of reserves. The allocation of £25M is expected to be formally confirmed as part of the budget-setting process.

2.8 The Council's Commercial and Investment Strategy provides the Council, through its Investment Board, with the flexibility to take forward a range of different types of non-treasury investments, including the facility to deliver projects through the use of a Local Authority Trading Company. At the time of preparing this report the Investment Board is yet to meet therefore no decisions regarding the Council's investment programme have been taken.

2.9 The Council's Minimum Revenue Provision policy has been updated so, as required by regulation, Full Council can approve its approach to charging MRP on any non-treasury investments before any transactions take place.

2.10 Section Four of the Council's Capital Strategy explains that, as part of the appraisal process, the S151 Officer will provide the Investment Board with details of how the proposed investment will impact on the Council's financial position. The cumulative impact of approved investments on the Council's medium-term financial position will be reflected in the information presented in future treasury management reports to Corporate Governance Committee, Cabinet and Full Council as per the reporting requirements outlined below.

3 Treasury Strategy Reporting Requirements

3.1 The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Corporate Governance Committee and Cabinet before being recommended to the Council.

3.2 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report is forward looking and covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

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

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

3.3 The Strategy covers two main areas:

Capital issues

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

Treasury management issues

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

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

4 Capital Prudential Indicators 2020/21 to 2022/23

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

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

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

Capital Programme	2019/20 Revised Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Forecast Capital Expenditure	**5,525**	**3,652**	**2,054**	**1,557**
Commercial and Investment Strategy – Approved Allocation to Investment Board	**0**	**25,000**	**0**	**0**
TOTAL	**5,525**	**28,652**	**2,054**	**1,557**
Financed by:				
Capital Grants	1,454	1,066	950	950
Capital Receipts	467	225	0	0
Reserves used in year to fund Capital	632	401	400	0
Section 106 and Other Contributions	65	244	0	12
Total Financing	**2,618**	**1,936**	**1,350**	**962**
Net Financing Need For The Year (Borrowing)	**2,907**	**26,716**	**704**	**595**

4.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, its underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.

4.5 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). In the case of schemes taken forward as part of the Council's capital programme this has the effect of reducing the Council's (CFR) broadly over the asset's life.

4.6 In the case of capital expenditure incurred in accordance with the Council's Commercial and Investment Strategy the MRP charge cannot be determined until such time that the Investment Board approves a scheme. Where the projected Capital Financing Requirement is disclosed in this report the figures used reflect the impact of borrowing to fund the full allocation of £25M but no assumptions have been made regarding how MRP might reduce the CFR attributable to these schemes. This approach is considered reasonable until such time that any schemes are formally approved by the Investment Board.

4.7 In this context, it is also important to note that, as well as the statutory MRP charge, the Council is permitted to make additional voluntary payments to reduce the CFR. These voluntary payments will typically reduce the statutory charge that would have been due in future years. Voluntary payments can be funded from capital resources. This is particularly significant in the context of the Council's Commercial and Investment Strategy. As a result of investments undertaken, the Council may receive significant capital receipts and/or repayments of amounts due under the terms of loan agreements with third parties, including the proposed Local Authority Trading Company. These amounts may be received before the maturity date of the external borrowing used to undertake the initial investment. Any assumptions regarding the anticipated use of capital resources to reduce the CFR will be reported as part of future treasury management reporting.

4.8 The CFR includes any other long term liabilities (finance leases). A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle) for the lease duration (typically 7 years). The annual lease payment is made up of a capital and interest repayment.

4.9 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

Capital Financing Requirement (CFR)	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
CFR – as at 31 March				
FDC Capital Programme	**3,876**	**5,074**	**5,177**	**5,164**
Commercial and Investment Strategy – Approved Allocation to Investment Board	**0**	**25,000**	**25,000**	**25,000**
Total CFR	**3,876**	**30,074**	**30,177**	**30,164**
Movement in CFR	**2,665**	**26,198**	**103**	**(13)**
Movement in CFR represented by				
Net financing need for the year	2,907	26,716	704	595
Less MRP and other Financing Movements	(242)	(518)	(601)	(608)
Movement in CFR	**2,665**	**26,198**	**103**	**(13)**

5 Minimum Revenue Provision (MRP) Policy Statement

5.1 The Council is required to pay off an element of the accumulated general fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).

5.2 MHCLG regulations have been issued which require the Council to approve an MRP statement in advance each year. A variety of options are provided to Councils within the guidance. Councils are permitted under the guidance to establish their own approach to setting MRP and different approaches can be applied for different types of assets. The Council's principal responsibility is to ensure that they can demonstrate that whatever approach they adopt across their asset base it is prudent. Given the Council's decision to adopt a Commercial and Investment Strategy it has been necessary to revise the MRP policy which applied to previous years to take account of investments which might feasibly be taken forward in accordance with the Commercial and Investment Strategy. The policy applicable from the 2020/21 financial year onwards shall be as follows:

(1) For unsupported borrowing (including finance leases) undertaken to fund the Council's capital programme, excluding any capital expenditure approved by the Council's Investment Board, MRP will be based on the estimated useful life of the assets to be purchased or acquired. Repayments made under the terms of finance leases shall be applied as MRP.

(2) For Investment Properties purchased or constructed (following a decision taken by the Council's Investment Board) the MRP charge shall be based on the difference between the value of the asset and the value of any outstanding unsupported borrowing secured to fund the original purchase of the asset. A calculation shall be undertaken at the end of each financial year to identify the difference between the value of the asset and the amount borrowed. Where a difference exists MRP shall be charged over a period commensurate with the period the Council expects to hold the asset as set out in reports presented to the Investment Board.

(3) For any loans made to third parties, including those made to the Local Authority Trading Company, no MRP shall be charged where the loan requirement requires the third party to make repayments on at least an annual basis over the life of the loan. In the unlikely event of the Council providing a maturity loan to a third party, MRP shall be charged in equal amounts over the life of the loan.

(4) Should the Council acquire an equity stake in any third party, the MRP charge will be for the lower of twenty years or the scheduled completion date of any projects funded by the third party using the proceeds from selling an equity stake to the Council.

(5) For investment in Property Funds which the Council, following consultation with its Treasury Advisors, assesses as meeting the definition of capital expenditure MRP shall be charged over the period the Council expects to hold the investment. The period over which MRP can be charged for this type of investment shall not be permitted to exceed 20 years.

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

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

Year End Resources	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Fund balances / reserves	**8,653**	**7,518**	**6,806**	**6,671**
Capital Grants Unapplied	**396**	**0**	**0**	**0**
Total core funds	**9,049**	**7,518**	**6,806**	**6,671**
Expected Cash investments	**15,934**	**11,149**	**10,045**	**9,450**

7 Affordability Prudential Indicators

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

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

Financing Costs to Net Revenue Stream	2019/20 Revised Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
General Fund (excluding Commercial and Investment Strategy Schemes)	**4.99**	**8.11**	**8.46**	**8.49**
Commercial and Investment Strategy Schemes (£25M allocation)	**0**	**5.34**	**5.15**	**5.08**
Total	**4.99**	**13.44**	**13.61**	**13.57**

8 Treasury Management Strategy

8.1 The capital expenditure plans set out in section 4 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and the Council's capital strategy. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

8.2 The Council's treasury portfolio as at 31 March 2019 for borrowing and investments was £8.363m and £20.2m respectively. As of 31 December 2019, investments are £21.9m (see Appendix B attached) and borrowing £8.294m.

8.3 The Council's forward projections for borrowings are summarised below. The next table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	2019/20 Revised Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt at 1 April	**7,800**	**7,800**	**35,571**	**35,156**
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	**0**	**2,771**	**(415)**	**(415)**
Borrowing to fund Commercial and Investment Strategy Schemes	**0**	**25,000**	**0**	**0**
Other long term liabilities (OLTL)	**563**	**406**	**243**	**106**
Expected change in OLTL	**(157)**	**(163)**	**(137)**	**(83)**
Actual gross debt at 31 March	**8,206**	**35,814**	**35,262**	**34,764**
Capital financing requirement (CFR) at 31 March	**3,876**	**30,074**	**30,177**	**30,164**
Borrowing less CFR – 31 March	**4,330**	**5,740**	**5,085**	**4,600**

8.4 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years and ensures that long term borrowing is not undertaken for revenue or speculative purposes (in the sense of anticipating future upward movements in interest rates), other than where the borrowing fits in with the Council's approved Investment Strategy (Appendix A refers).

8.5 The Council notes that the Prudential Code published by CIPFA prohibits local authorities from borrowing in advance of need. This prohibition has been recently re-affirmed by MHCLG in its Statutory Guidance on Local Authority Investments which states that this prohibition extends to undertaking borrowing to fund the purchase of financial and non-financial investments, including investment properties. This is on the basis that in such circumstances local authorities would be borrowing 'purely in order to profit from investment of the extra sums borrowed'. Section 4 of the Council's Capital Strategy explains how the Council has had regard for this guidance and notes the Council's approach to determining whether the motivation behind any proposed investment is purely to profit from investment of any sums borrowed.

8.6 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/19) currently attracting excessive premiums (£3.152m at the time of writing this report), if it were prematurely repaid and the fixed rate market loan of £3.3m (31/03/2019), attracting a premium charge on application to prematurely repay, it is not financially advantageous for the Council to fully comply with this prudential indicator. 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.

8.7 Interest repayments associated with the external debt (including finance leases) above are shown below. The figures in the third column reflect the interest which would fall due if the Investment Board were to approve schemes totalling the full allocation of £25M on 1st April 2020 and fund all of that expenditure from a maturity loan at today's rate.

YEARS	**INTEREST DUE (EXISTING CAPITAL SCHEMES) £000**	**INTEREST DUE (FUNDING OF COMMERCIAL AND INVESTMENT STRATEGY) £000**	**TOTAL £000**
2019/20	502	-	502
2020/21	568	603	1,171
2021/22	553	603	1,156
2022/23	540	603	1,143

8.8 The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt.

Operational Boundary	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Debt	**12,000**	**12,000**	**12,000**	**12,000**
Other long term liabilities	**1,000**	**1,000**	**1,000**	**1,000**
Commercial Activities / Non Financial Investments	**25,000**	**25,000**	**25,000**	**25,000**
Total	**38,000**	**38,000**	**38,000**	**38,000**

8.9 The authorised limit is a key prudential indicator, which represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.

8.10 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

Authorised Limit	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Debt	**17,000**	**17,000**	**17,000**	**17,000**
Other long term liabilities	**1,000**	**1,000**	**1,000**	**1,000**
Commercial Activities / Non Financial Investments	**25,000**	**25,000**	**25,000**	**25,000**
Total	**43,000**	**43,000**	**43,000**	**43,000**

9 Prospects for Interest Rates

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

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

9.2 The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

9.3 It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a "gradual pace and to a limited extent". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

9.4 There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

9.5 During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. (See paragraph 9.9 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.) There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

9.6 One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

9.7 Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

9.8 The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

9.9 In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

9.10 Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

10 Borrowing Strategy

10.1 As noted above in paragraph 8.5 the Council recognises that statutory guidance indicates that whilst the Council has the necessary powers to borrow in advance of need the government and CIPFA state it should refrain from doing so where such borrowing takes place purely in order to profit from investment of the extra sums borrowed. None of the Council's current borrowing was undertaken in advance of need. Section 4 of the Council's Capital Strategy explains how this Council will have regard for this guidance in future. This section of the strategy explains the process to be followed should the Chief Finance Officer wish to bring forward a proposal to borrow in advance of need purely in order to profit from investment of the extra sums borrowed. Risks associated with borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

10.2 As a result of the Council's decision not to repay debt of £7.8m at the time of the housing stock transfer in 2007, the Council is currently over borrowed (see paragraph 8.6 above); the Council's gross debt exceeds its CFR over the term of the treasury strategy.

10.3 Where the Council has insufficient internal resources to funds its capital programme the difference between available resources and funds required is met through borrowing. The Council is able to borrow internally if it identifies that it has surplus funds currently held in investments which could be used to finance its capital programme. However, any decision to borrow internally has to consider when any funds borrowed might be required to support the day-to-day cash needs of the Council. Unless the Council is able to increase the surplus funds it has available, i.e. through generating surpluses on the revenue account, internal borrowing will only provide a temporary solution to funding the capital programme.

10.4 When the Council borrows externally it will ordinarily do so using funds borrowed from the Public Works Loan Board. The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2023. Assumptions about the level of external interest payable are reflected as part of the prudential indicators included in this document. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through either the mid-year or annual treasury management reports.

10.5 Following the decision by PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 bps on loans lent to local authorities, consideration will be given to sourcing funding at cheaper rates from other sources.

10.6 The Chief Finance Officer will monitor capital plans and interest rates in financial markets and adopt a pragmatic approach to funding the capital programme. Any borrowing decisions and budget consequences will be reported to Cabinet through either the mid-year or annual treasury management reports.

10.7 Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2020/21	**Lower %**	**Upper %**
Under 12 months	**0**	**20**
12 months to 2 years	**0**	**50**
2 years to 5 years	**0**	**75**
5 years to 10 years	**0**	**75**
10 years and above	**0**	**100**

Maturity structure of variable interest rate borrowing 2020/21	**Lower %**	**Upper %**
Under 12 months	**0**	**100**
12 months to 2 years	**0**	**100**
2 years to 5 years	**0**	**100**
5 years to 10 years	**0**	**100**
10 years and above	**0**	**100**

11 Debt Rescheduling / Repayment

11.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

11.2 If rescheduling was done, it will be reported to the Cabinet at the earliest meeting following its action.

12 Annual Investment Strategy

12.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

12.2 The Council's investment policy has regard to the following:-

- MHCLG's Guidance on Local Government Investments ("the Guidance");
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code"); and
- CIPFA Treasury Management Guidance Notes 2018.

12.3 The intention of the strategy is to provide security and appropriately manage risk. The Council's investment priorities are:

- the security of capital;
- the liquidity of its investments;
- return on its investments.

12.4 The above guidance from the MHCLG and CIPFA, place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means.

12.5 Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings

12.6 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

12.7 Investment instruments identified for use in the financial year are listed below under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

12.8 **Specified Investments –** These investments are sterling investments (meeting the minimum ‘high’ quality criteria where applicable) of not more than one year maturity, or those which could be for a longer period but where the Council has the right to repay within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Investment instruments identified for use in the financial year are as follows:

- term deposits with part nationalised banks and local authorities;
- term deposits with high credit criteria deposit takers (banks and building societies);
- callable deposits with part nationalised banks and local authorities;
- callable deposits with high credit criteria deposit takers (banks and building societies);
- money market funds (CNAV) / (LVNAV) / (VNAV);
- Debt Management Agency Deposit Facility (DMADF); and
- UK Government gilts, custodial arrangement required prior to purchase.

12.9 **Non-Specified Investments –** These are any other type of investment (i.e. not defined as specified above). Investment instruments identified in both “specified” and “non-specified” categories are differentiated by maturity date and classed as non-specified when the investment period and right to be repaid exceeds one year. Non-specified investments are more complex instruments which require greater consideration by members and officers before being authorised for use. Investment instruments identified for use in the financial year are as follows:

- term deposits with high credit criteria deposit takers (banks and building societies);
- term deposits with part nationalised banks and local authorities;
- callable deposits with part nationalised banks and local authorities;
- callable deposits with high credit criteria deposit takers (banks and building societies);
- Debt Management Agency Deposit Facility (DMADF);

- UK Government gilts, custodial arrangement required prior to purchase; and
- Property funds.

12.10 As a result of the change in accounting standards first introduced in 2018/19 under IFRS 9**,** the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.

12.11 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Short term cash flow requirements (up to 12 months) include payments such as, precepts, business rate retention, housing benefits, salaries, suppliers, interest payments on debt etc.

12.12 On the assumptions that the UK and EU agree a Brexit deal including the terms of trade by the end of the 2020 or soon after, then Bank rate is forecast to increase only slowly over the next few years to reach 1.25% by quarter 2 2022. Bank rate forecasts for financial year ends (March) are:

- 2020/21 – 1.00%
- 2021/22 – 1.00%
- 2022/23 – 1.25%

12.13 Forecast average investment interest rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2019/20 - 0.75%
- 2020/21 - 0.75%
- 2021/22 - 1.00%
- 2022/23 - 1.25%

12.14 Estimated investment income is shown below. These figures assume that none of the existing cash balances held by the Authority will be utilised to fund schemes approved by the Investment Board.

YEARS	**INTEREST RECEIVED £**
2019/20	200,000
2020/21	170,000
2021/22	165,000
2022/23	140,000

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

	2020/21 £000	2021/22 £000	2022/23 £000
Maximum principal sums invested > 365 days	**8,000**	**8,000**	**8,000**

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

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

13 Creditworthiness Policy

13.1 The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- ''watches'' and ''outlooks'' from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

13.2 This modelling approach combines credit ratings, Watches and Outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- yellow 5 years;
- dark pink 5 years for ultra-short dated bond funds with a credit score of 1.25;
- light pink 5 years for ultra-short dated bonds funds with a credit score of 1.5;
- purple 2 years;
- blue 1 year (only applies to nationalised or semi nationalised UK banks);
- orange 1 year;
- red 6 months;
- green 100 days
- no colour not to be used.

13.3 The Link Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

13.4 Typically the minimum credit ratings criteria the Council will use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use

13.5 The Council's own bank currently meets the creditworthiness policy. However, should they fall below Link Asset Services creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.

13.6 All credit ratings are monitored weekly and prior to any new investment decision. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx European Financials benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

13.7 Sole reliance will not be placed on the use of Link Asset Services Creditworthiness policy. In addition, this Council will also use market data and market information, information on any external support for banks to justify its decision making process.

13.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council's Treasury Management Practices – schedules.

13.9 In relation to financial institutions, the Council currently only invests in UK banks and building societies, which provides sufficient high credit quality counterparties to meet investment objectives. It should be noted that in some cases these banks are subsidiaries of foreign banks but these are of the highest credit quality.

14 External Service Providers

14.1 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to available information, including, but not solely, our treasury advisors.

14.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

14.3 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The Council will engage specialist advisers for commercial-type investments.

APPENDIX A

FENLAND DISTRICT COUNCIL

CAPITAL STRATEGY 2020/21-2022/23

1. OVERVIEW AND CONTEXT

1.1 The Council has established statutory and regulatory responsibilities for the management of its financial affairs. These responsibilities encompass revenue and capital expenditure. The specific responsibilities of full Council, the Cabinet, the Investment Board, Corporate Management Team (CMT) and the Council's appointed Section 151 Officer are defined within the Council's constitution.

1.2 The Council regularly updates its Medium Term Financial Strategy (MTFS). The MTFS provides a framework for setting the Council's annual revenue budget and updating the Council's three-year capital programme. The MTFS sets outs the primary assumptions underpinning the assessment of the resources available to the Council and anticipated service budgets over the coming five financial years.

1.3 Whilst local authorities are required to set a balanced revenue budget, legislation permits local authorities to obtain credit and therefore fund their capital programmes from borrowing. Individual authorities are required to have regard for the Prudential Code published by the Chartered Institute of Public Finance and Accountancy. The Prudential Code requires authorities to ensure:

- all capital expenditure and investment plans are affordable;
- all external borrowing and long-term liabilities are within prudent and sustainable levels;
- treasury management and other investment decisions are taken in accordance with professional good practice; and
- authorities can demonstrate themselves to be accountable by providing a clear and transparent framework.

1.4 Historically, this Council has discharged its responsibilities under the Prudential Code by ensuring that the Treasury Management Strategy, which is approved annually by full Council, is prepared with reference to the latest capital programme. The Capital Programme is itself developed with explicit consideration of the extent to which proposed capital investment is affordable, prudent and sustainable given the resources available to the Council as set out in the MTFS.

1.5 Following an update to the Prudential Code in December 2017, local authorities are now required to have a Capital Strategy. The introduction of this requirement acknowledges that individual authorities will each have their own approach to assessing priorities for capital investment, the amount the Authority can afford to borrow and the Authority's appetite to risk.

1.6 This strategy sets out in a single document the long term context in which capital expenditure and investment decisions are made and establishes that the Council has arrangements in place to ensure it gives due consideration to risk, reward, and impact on the achievement of priority outcomes. The Strategy is updated annually and reviewed by the Council's Corporate Governance Committee prior to being approved by Full Council alongside the annual budget.

2. CAPITAL EXPENDITURE

2.1 Capital expenditure incorporates a range of different types of financial transaction which the Council might enter into. What these transactions have in common is that they relate to investments decisions which impact on the Council and its stakeholders over a period which extends beyond the financial year in which the transaction is entered into. The Council's appointed S151 Officer ultimately has responsibility for determining whether expenditure is capital in nature in accordance with relevant regulation and statute.

Role and Purpose of the Asset Management Plan

2.2 The Council has developed an Asset Management Plan in accordance with acknowledged best practice. This document provides a strategic framework for managing the Council's current portfolio of land and buildings ensuring that officers and elected members can have confidence, in the long-term, that the Council has the land and property needed to fulfil the pledges set out in the Council's Business Plan.

2.3 The Asset Management Plan incorporates oversight of operational and non-operational property owned by the Council. Operational assets are those assets held by the Council to enable the Council, or its partners, to deliver those services which are either statutory in nature or provided on a discretionary basis to the extent that providing those services is consistent with the strategic objectives of the Council. Non-operational assets are those assets which are not directly used for the purposes of service delivery but are held to either provide the Council with a return on investment, either through rental income, appreciation in the value of the asset or the potential contribution that holding the asset makes to the Council's wider corporate objectives, e.g. taking forward opportunities to regenerate and develop the local economy.

2.4 Responsibility for the Asset Management Plan rests with the Council's Assets and Projects team which reports to the Council's Corporate Director (Growth and Infrastructure). The Assets and Projects team regularly appraise the condition of the Council's property portfolio to determine the revenue and capital resources required to ensure the portfolio continues to meet the needs of Service Managers. When the needs of services managers change the Assets and Projects team will assist in determining the impact on the property portfolio, including the resources required to meet those needs. The Assets and Projects team recognise that the Council's property needs are unlikely to remain static and the past cost of maintaining a Council asset is not necessarily a reliable indicator of future costs. Forward projections regarding the resources to be allocated to asset management recognise the interaction between revenue and capital expenditure in determining the Council's cost base.

2.5 The capital resources required to meet investment needs identified as part of the Asset Management Plan are routinely assessed and anticipated capital expenditure is profiled over the financial years when it is expected to be incurred. On at least an annual basis capital schemes identified as part of the Asset Management Plan are presented to a meeting of the Council's Corporate Asset Team to determine when and if they should be incorporated into the Council's Capital Programme.

Investment in Vehicles, Plant, Equipment and IT

2.8 The Council has nominated service managers who are responsible for the vehicles, plant and information technology assets in use within the Council. These assets all have an expected useful economic life informed by an assessment by the nominated manager. The need to allocate capital resources to fund the replacement of these assets at the end of their useful life is assessed annually by the Council's Corporate Asset Team. There is also an annual appraisal of business cases relating to proposals to invest in additional equipment not reflected in the programme of rolling replacements.

Role and Function of the Corporate Asset Team

2.9 The Corporate Asset Team is an officer-led group which meets bi-monthly under the Chairmanship of the Corporate Director (Growth and Infrastructure). On behalf of the Council's Corporate Management Team, the Corporate Asset Team assumes responsibility for providing a strategic oversight in respect of all matters pertaining to asset management.

2.10 All proposed changes to the Council's three-year capital programme are subject to review by the Corporate Asset Team prior to being considered by Corporate Management Team, the Cabinet and Full Council. Any scheme which is not already incorporated into the Council's Asset Management Plan will only be considered for inclusion in the Capital Programme if the Officer proposing the scheme can demonstrate, with appropriate evidence, one or more of the following:

- there is a statutory obligation for the Council to incur the capital expenditure proposed;
- the proposed capital expenditure relates to works deemed necessary on the grounds of health and safety;

- capital expenditure is proposed to protect a Council asset and reduce the risk of excessive revenue expenditure being incurred in upcoming financial years;
- the proposed capital expenditure will generate income, either of a revenue or capital nature, in excess of the capital expenditure which is expected to be incurred including any financing costs; and/or
- the proposed capital expenditure will (after including financing costs) reduce revenue expenditure incurred by one or more of services in future financial years.

2.11 The capital financing regulations permit the Council to treat as capital expenditure certain types of transaction which do not result in the acquisition of a physical asset by the Council. These transactions can be high-volume, small value transactions such as the awarding of Disabled Facilities Grants which are currently funded from monies received as part of Cambridgeshire County Council's Better Care Fund allocation. Such transactions do not require specific approval providing the nature and purpose of the expenditure has been approved as part of the Capital Programme.

2.12 Any proposals to incur capital expenditure which do not lead to the recognition of a physical asset where the expenditure proposed exceeds £10,000 but does not fall within the scope of the Council's Commercial and Investment Strategy will be considered at a meeting of CMT. If approved by Cabinet, approval will be sought at a meeting of Cabinet before being considered at full Council if necessary. Possible examples include, but are not restricted to:

- granting loans to third parties (for reasons not linked to the objectives of the Commercial and Investment Strategy);

- providing grant-funding to a third party which enables that third party to undertake expenditure which would have been capital in nature had it been undertaken by the Council.

<u>Role and Function of the Investment Board</u>

2.13 During the 2019-20 financial year the Council initiated the development of a Commercial and Investment Strategy for the Council. The current version of the Strategy was approved by full Council on 9 January 2020.

2.14 The Commercial and Investment Strategy was developed in recognition of the investment opportunities available to the Council acknowledging that utilising the Council's powers to invest could bring substantial benefits not only to the Council but also to the wider District and its residents. The Capital Strategy has been updated to take account of the changes in the

Council's arrangements for determining its capital priorities which arise from the implementation of the Commercial and Investment Strategy. This is explained in more detail in section four of this document.

2.15 Following the approval of the Commercial and Investment Strategy Cabinet approved the establishment of a sub-committee known as the Investment Board. The Investment Board has initially been allocated a maximum budget of £25M to take forward capital schemes which facilitate the achievement of the objectives set out in the Strategy.

2.16 The Investment Board undertakes its own appraisals of proposed capital schemes. The appraisal of such schemes will be separate from and in addition to the proposals for new capital schemes considered at meetings of Corporate Asset Team which follow the process outlined in paragraph 2.10 of this strategy. The Investment Board has delegated powers to approve schemes providing the maximum budget is not exceeded.

2.17 Capital schemes which fall within the remit of the Investment Board include the acquisition of share capital or the granting of loan funding to companies and/or partnerships in which the Council has an interest. The decision about whether to establish a company or enter into a partnership rests with Cabinet. The Investment Board is responsible for the approval of the business plans of any entities created as a result of a decision taken by Cabinet. Approval of the relevant business plan will precede the allocation of capital funds.

3 DEBT AND BORROWING AND TREASURY MANAGEMENT

3.1 Day-to-day responsibility for the Treasury Management function rests with the Chief Finance Officer. This section of the strategy reproduces key information taken from the Treasury Management Strategy Statement. For reasons outlined in that document, no assumptions have been made regarding the timing of any borrowing (internal and/or external) arising from the implementation of the Commercial and Investment Strategy. However, the operational boundary and authorised limits shown in Tables 3 and 4 have been determined with reference to the budget allocated to the newly-established Investment Board referred to in paragraph 2.15 above.

Key Considerations relating to Treasury Management

3.2 The tables below set out the Council's Investment and Debt positions with forward projections.

Year End Investments	2019/20 Revised Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Fund balances / reserves	8,653	7,518	6,806	6,671
Capital Grants Unapplied	396	0	0	0
Total core funds	9,049	7,518	6,806	6,671
Expected investments	15,934	11,149	10,045	9,450

Table 1: Year End Investment Balances projected over the period 1 April 2019 – 31 March 2023

Year-End Debt	2019/20 Revised Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt at 1 April	7,800	7,800	35,571	35,156
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	0	2,771	(415)	(415)
Borrowing to fund Commercial and Investment Strategy schemes	0	25,000	0	0
Other long term liabilities (OLTL)	563	406	243	106
Expected change in OLTL	(157)	(163)	(137)	(83)
Actual debt at 31 March	8,206	35,814	35,262	34,764

Table 2: Year End Debt and Net Investment projected over the period 1 April 2019– 31 March 2023

3.3 At 1 April 2019 the Council's Debt position comprised other long-term liabilities relating to finance leases of £563k and external borrowing of £7.8m. These loans were taken out at prevailing market rates between 1994 and 2004. The term of these loans is between 25 and 50 years. Following the transfer of the Council's Housing Stock in 2007, which generated a significant capital receipt for the Council, the Council has retained investment balances which exceed the amounts borrowed. However, changes in prevailing interest rates since the loans were taken out mean that a high premium would be payable by the Council if it were to seek to repay any of the loans early. The premiums to be applied are considered to be prohibitively high for early redemption to be regarded as a reasonable treasury management decision. The Council continues to keep this situation under review with the support of its appointed treasury management advisors. However, for the purposes of this strategy, it has been assumed that external borrowing of £7.8m brought forward, as at 1 April 2019, will continue to be carried forward due to the current historically low interest rates.

3.4 Regulation requires the Council to determine, as part of the Treasury Management Strategy, the maximum external debt position for the upcoming three financial years. This is known as the Council's authorised limit. Additionally, the Council is required to set an operational boundary. The purpose of the operational boundary is to set a threshold for external borrowing which the Council would not expect to exceed in the ordinary management of its affairs. Sustained breaches of the operational boundary would be indicative that the Council could be at risk of exceeding its authorised limit.

3.5 The current authorised limits and operational boundaries for the period covered by this strategy are set out in the table below

Operational Boundary	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Debt	**12,000**	**12,000**	**12,000**	**12,000**
Other long term liabilities	**1,000**	**1,000**	**1,000**	**1,000**
Commercial Activities/ Non-Financial Investments	**25,000**	**25,000**	**25,000**	**25,000**
Total	**38,000**	**38,000**	**38,000**	**38,000**

Table 3: Operational Boundary over the period 1 April 2019 – 31 March 2023

Authorised Limit	**2019/20 Revised Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Debt	**17,000**	**17,000**	**17,000**	**17,000**
Other long term liabilities	**1,000**	**1,000**	**1,000**	**1,000**
Commercial Activities / Non-Financial Investments	**25,000**	**25,000**	**25,000**	**25,000**
Total	**43,000**	**43,000**	**43,000**	**43,000**

Table 4: Authorised Limit over the period 1 April 2019 – 31 March 2023

3.6 Table 2 above indicates that the Council's Actual Debt position is expected to increase over the period covered by this strategy. This reflects an anticipated decision to undertake external borrowing to fund the expenditure commitment set out in the capital programme. In accordance with the Council's constitution, any decision about when, how much and from where to borrow will be made by the appointed S151 Officer.

3.7 Regulations prevent the Council from borrowing in advance of need. However, there is no requirement for the Council to draw on investment balances to fund its capital commitments prior to undertaking external borrowing. To manage interest rate effectively, the Council will continue to consider medium and long-term forecasts of interest rates provided by its Treasury Management advisors to project likely returns from the investment of surplus funds and the financing costs associated with external borrowing. This approach recognises that postponing long-term borrowing to future years could be more expensive over the life of the loan if interest rates were to increase.

3.8 The Council is required by statute to make arrangements to ensure that there is provision to repay as part of the Council's revenue budget any borrowing undertaken to finance the capital programme. This is known as the Minimum Revenue Provision (MRP) and the Council is required to approve its MRP policy on an annual basis:

	Projected Minimum Revenue Provision £000
2019/20	242
2020/21	518
2021/22	601
2022/23	608

Table 5: Projected Minimum Revenue Provision over the period 1 April 2019 – 31 March 2023

3.9 Regulation requires the Council to ensure that its MRP policy results in prudent levels of MRP. The Council's MRP policies are explained in full as part of the Treasury Management Strategy Statement which is approved by Full Council annually. Specific provisions are in place to explain the approach taken to determine MRP for schemes taken forward as part of the Commercial and Investment Strategy.

3.10 At the present time no assumptions have been made regarding the MRP which would be due on schemes taken forward as part of the implementation of the Commercial and Investment Strategy. These assumptions will be updated as schemes are taken forward.

3.11 In recognition of the inherent volatility of commercial investment the Council has established an Investment Strategy reserve. One of the purposes of that reserve is that it should hold surpluses in respect of those years where actual income generated from commercial investments exceeds budget estimates. This can help reduce the impact on the General Fund of any unanticipated shortfall which might arise in future years.

4. COMMERCIAL ACTIVITY

4.1 The Council has a long-standing portfolio of non-operational assets which it manages to secure a rental income and income from fees and charges earned from providing facilities for conferences and meetings. The main non-operational assets held by the Council are:

- Boathouse Business Centre, Wisbech – Office Units, Conference and Meeting Space

- South Fens Business Centre, Chatteris - Office Units, Conference and Meeting Space

- South Fens Enterprise Park, Chatteris – Light Industrial Units for Small Business Use

4.2 Rents generated from the lease to third parties of areas of land, buildings and/or infrastructure held by the Council principally for the purposes of service delivery, i.e. premises at Fenland Hall, the Base and Wisbech Port have been assessed by officers to fall outside the scope of commercial activity in the context of this section of the Council Strategy. This reflects the fact that the motive for holding these assets is not principally commercial in nature.

4.3 Responsibility for assessing the need for capital investment in the current portfolio of non-operational assets, reflecting those non-operational assets held as at 31 March 2020 currently rests with the Corporate Asset Team in accordance with the arrangements set out in paragraph 2.10 above.

4.4 During the 2019-20 financial year the Council approved a Commercial and Investment Strategy. The Council has established an Investment Board to take forward capital schemes which deliver against objectives set out in part two (commercial property investment) and part three of the Strategy (commercial investment and regeneration).

4.5 The Commercial and Investment Strategy sets out the assessment criteria to be used for investments undertaken in accordance with part two of the strategy. This requires the Council to determine the net yield associated with each proposed acquisition, after taking account of financing costs, including MRP, and to assess the particular circumstances relating to each acquisition to understand the risks the Council is subject to and possible sources of mitigation.

4.6 The Investment Board is a sub-committee of the Cabinet. The Council's constitution requires that the committee's membership includes the Leader (who Chairs the Investment Board), the Portfolio Holder for Finance, as well as one other member of Cabinet appointed by the Leader or two members of Cabinet if the Leader also has the Finance Portfolio. The constitution requires the Chair of the Investment Board to ensure the Investment Board meets a minimum of three times each year. The Chair of the Overview and Scrutiny Panel will attend the Investment Board's meetings in an observational capacity.

4.7 The Investment Board is a decision-making body and its functions include the determination of investment appraisals and business cases submitted for its consideration. A report on the discharge of these functions is provided to the Cabinet twice a year.

4.8 The Investment Board also has responsibility for monitoring the performance and financial delivery of those appraisals and business cases it agrees to fund. The Section 151 Officer ensures that reports on the activities of the Investment Board prepared for consideration by Cabinet include details about the impact of the Board's activities on the overall financial position of the Council.

4.9 Statutory guidance published by MHCLG requires the Council to:

- assess and disclose publically the extent to which it is dependent on profit-generating investments to deliver a balanced revenue budget over the life of the medium-term financial strategy; and

- to set limits for gross debt and commercial income as a proportion of the Council's budgeted net service expenditure over the life of the medium-term financial strategy.

Commercial Income as a proportion of net service expenditure

4.10 The current limit for budgeted commercial income as a proportion of net service expenditure has been set at 20% (equivalent to commercial income of £2.313M per year based on 2019/20 budgeted net service expenditure).

4.11 The Investment Board was established in January 2020 and it is yet to approve any capital schemes. Consequently the Council currently only has a very limited reliance on its non-operational assets to generate income to balance the Council's budget. This is shown in the table 6 below:

Budgeted Income from pre-2019/2020 non-operational assets (Economic Estates - Revised Budget 2019/20)	£842,000
Net Service Expenditure	£11,565,000
Commercial Income as a proportion of Net Service Expenditure	7.3%
Approved Limit	20%

Table 6: Commercial Income as a proportion of Net Service Expenditure

Gross Debt as a proportion of net service expenditure

4.12 The current limit for gross debt as a proportion of net service expenditure has been set at 375% (equivalent to gross debt of £43.370M per year based on 2019/20 budgeted net service expenditure).

4.13 As explained in paragraph 3.3 above whilst the Council has not undertaken external borrowing in recent years it does have £7.8M of external debt which was taken out at prevailing market rates between 1994 and 2004. This impacts on the calculation of gross debt as a proportion of net service expenditure as follows:

Gross Debt expected as at 31 March 2020	£7,800,000
Net Service Expenditure	£11,565,000
Gross Debt as a proportion of Net Service Expenditure	67%
Approved Limit	375%

Table 7: Gross Debt as a proportion of Net Service Expenditure

Commercial Property Investment – Loan to Value Assessment

4.14 An important consideration when appraising the impact of the Council's commercial and investment strategy on the Council is to consider the extent to which borrowing undertaken by the Council to fund investment in property is matched by the underlying value of the assets purchased.

4.15 When assets are first purchased it is common for the directly attributable costs associated with acquiring the asset, including applicable stamp duty, to exceed the realisable value of the asset. Consequently, if a property purchase is funded from borrowing this may mean in the early years of the Council's ownership the fair value of property owned by the Council may be less than the borrowing undertaken by the Council to fund the acquisition. Over time, if property prices appreciate this will have a positive impact on the Council's loan to value ratio.

4.16 The Council will obtain valuations of all its commercial investment properties annually and disclose the Loan to Value ratio as part of each year's capital strategy. Currently the Council does not hold any investment properties which have been funded from borrowing.

Borrowing in Advance of Need

4.17 Statutory guidance on Local Authority Investments and the Prudential Code published by CIPFA requires that authorities must not borrow in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Government has clarified that this requirement extends to the use of external borrowing to fund the purchase of non-financial investments, including investment properties.

4.19 As noted in paragraph 2.15 above the Council's Investment Board has been allocated a budget of £25M to take forward the Council's Commercial and Investment Strategy. The Council's Commercial and Investment Strategy provides for two types of investments to be taken forward: part two of the strategy sets out the process to be followed for commercial property investment and part three is concerned with investments for regeneration and place-shaping.

4.20 The Council will need to undertake external borrowing if it is to utilise the full budget of £25M which has been allocated by Full Council. Part two of the Council's Commercial and Investment Strategy states that any investments made in accordance with this part of the strategy will be 'for pure financial benefit'. Consequently any borrowing undertaken to enable such investments to take place will be in breach of the statutory guidance published by MHCLG.

4.21 The statutory guidance recognises that the Council can disregard the provisions of the Prudential Code and the statutory guidance providing it explains its reasons for doing so and its policies for investing the extra amounts borrowed and the arrangements in place to manage the associated risks.

4.22 The launch of the Council's Commercial and Investment Strategy represents a key element of the Council's 20/21 Business Plan. This Council believes that investment in property is an appropriate and proportionate response to the Council's current financial position. Exploiting opportunities presented by commercial property could provide this Council with a reliable long-term source of revenue income to fund the provision of Council services. Securing such an income stream could therefore help achieve the reduction in net expenditure necessary to meet the financial gap identified in the Council's Medium Financial Strategy. This approach also further diversifies the Council's sources of income recognising that upcoming reforms to the business rates system and the implementation of the fair funding review could adversely impact on the Council's financial position.

4.23 The Commercial and Investment Strategy sets out in detail the appraisal and decision-making approach the Investment Board is required to follow before any investment in commercial property is undertaken. This ensures that appropriate governance arrangements are in place and the Council has due regard to the risks associated with investments both individually and in the context of the overall level of risk presented by the Council's current portfolio. The extent to which the Council needs to borrow in advance of need to undertake investment in commercial property will be fully disclosed to the Investment Board by the Chief Finance Officer before any investment is undertaken.

4.24 Active monitoring of the portfolio will take place throughout the year with reference to the indicators included in this strategy together with appropriate commentary relevant to the particular investments held by this Council.

5. KNOWLEDGE AND SKILLS

5.1 The Council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

5.2 Appropriate external advice will be engaged from suitably qualified professionals as and when required. This will apply particularly in those circumstances when the Council needs to undertake independent due diligence prior to making a decision regarding a proposed investment. Additionally, the Council will continue to enlist the year-round support of external Treasury Management advisors. This support is currently provided by Link Asset Services.

5.3 Internal and external training will be offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital proposals brought forward for approval and interpret the treasury management policies developed by officers in conjunction with relevant professional advisors.

APPENDIX B

TEMPORARY INVESTMENTS AS AT 31/12/2019

BORROWER	AMOUNT £000	START DATE	MATURITY DATE	PERIOD IN DAYS	CURRENT INTEREST RATE %
Barclays Bank*	2,100	16/06/14		Flexible Interest	0.50
Santander UK	5,000	15/12/15		180 Day Notice A/C	1.00
Lloyds Bank	1,800	16/12/19		32 Day Notice A/C	0.90
Bank of Scotland	1,000	17/06/19	08/06/20	357	1.25
Lloyds Bank	1,500	18/09/19	27/02/20	162	0.84
Bank of Scotland	2,000	01/11/19	27/02/20	118	0.81
Yorkshire BS	3,000	15/11/19	23/01/20	69	0.70
Yorkshire BS	1,000	20/11/19	23/01/20	64	0.70
Coventry BS	2,500	02/12/19	20/01/20	49	0.58
Wirral Metropolitan BC	2,000	20/12/19	19/03/20	90	0.75
Total Investments at 31/12/2019	21,900				

* 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.

Agenda Item No:	7	Fenland CAMBRIDGESHIRE
Committee:	Corporate Governance Committee	
Date:	04 February 2020	
Report Title:	Data Protection Policy Update	

1 Purpose / Summary

To provide the Corporate Governance Committee with a revised Data Protection Policy, the changes to which have arisen from a recent internal audit regarding the organisations compliance with General Data Protection Regulation (GDPR).

2 Key issues

- In order to provide services to local residents and businesses, the Council collects, uses and shares considerable amounts of personal data. Personal data refers to any information that can identify a living individual, such as their name, email address, address, health conditions or CCTV footage of them.

- The European Union-wide General Data Protection Regulation (GDPR) and the Data Protection Act 2018 set requirements on how organisations, including councils, can process personal data. Through six principles, the legislation establishes that personal data shall be:
    - processed lawfully, fairly and in a transparent manner
    - collected and processed for specified, explicit and legitimate purposes
    - adequate, relevant and limited to what is necessary for those purposes
    - kept accurate, and where necessary, up to date
    - kept in a form that identifies the person for no longer than is necessary
    - processed in a manner ensuring its security.

- In order to uphold these principles, the revised and updated Data Protection Policy reflects the legislative changes in addition to reflecting the greater emphasis on proactive compliance and data subject rights.

. • The recent Internal audit which assessed the District Council's level of compliance with GDPR made a number of recommendations which were intended to further enhance the recently revised Data Protection Policy. Those recommendations comprised of the following inclusions;

- Role and responsibilities of Members and volunteers regarding data protection
- What would happen if the DP Policy is breached (including a reference to the Council’s ‘Reporting Personal Data Breaches Policy and procedure’ document)
- Risks associated with non compliance
- List of relevant legislation and guidance
- An outline of the Data Protection Impact Assessment (DPIA) process and a reference to the Council’s DPIA template document
- Process for the collection, storage and processing of personal data
- Security and Data protection requirements to be included in any contract entered into by the Council.
- Role and responsibilities of the SIRO

- o The full responsibilities of the DPO including contact details
- o A statement saying that it is the responsibility of all employees to comply with the policy

Recommendations

- For Corporate Governance Committee to agree the revised Data Protection Policy as outlined in the report, which applies to all staff and elected members.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Councillor Chris Boden, Leader and Portfolio Holder - Quality Org.
Report Originator(s)	Anna Goodall - Data Protection Officer
Contact Officer(s)	Peter Catchpole - Corporate Director petercatchpole@fenland.gov.uk Anna Goodall, Data Protection Officer agoodall@fenland.gov.uk 01354 622357
Background Paper(s)	Data Protection Policy Report CGC November 2019

Fenland
CAMBRIDGESHIRE
Fenland District Council

Data Protection Policy

February 2020

Contents

1. Introduction

1.1 The General Data Protection Regulation (GDPR) and Data Protection Act (DPA) were updated in 2018 to reflect technological advancements and changes since the last act in 1998. This policy outlines how Fenland District Council will adopt the provisions of the GDPR and DPA.

1.2 Higher fines have been introduced for data breaches and non-compliance. The Information Commissioner's Office (ICO) have the power to issue fines of up to 20 million Euros or 4% of a company's worldwide revenue dependent on which is the higher sum.

~~1.2~~1.3 Major changes include stronger conditions for consent, the need for privacy controls to be built in at the design phase, greater rights for data subjects and tighter controls on data breaches.

~~1.3~~1.4 The processing of data by the council is essential to services and functions, and will often involve the use of personal and/or 'special category' data. Compliance with data protection legislation will ensure that such processing is carried out fairly and lawfully.

2. Definitions

2.1 'Personal data' means any information relating to an identified or identifiable living individual ('Data Subject')

2.2 'Identifiable living individual' means a living individual who can be identified, directly or indirectly, in particular by reference to:

- an identifier such as a name, an identification number, location data or an online identifier
- one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of the individual

2.3 'Special category (sensitive) personal data' means:

- Racial or ethnic origin
- Political opinions
- Religious/philosophical beliefs
- Trade union

- Processing of biometric/genetic data to identify someone
- Health
- Sex life or sexual orientation

2.4 ‘Processing’, in relation to personal data, means an operation or set of operations which is performed on personal data or on sets of personal data, such as:

- Collection, recording, organisation, structuring, storage
- Adaptation or alteration
- Retrieval, consultation, use
- Disclosure by transmission, dissemination or otherwise making available
- Alignment or combination, or
- Restriction, erasure or destruction.

2.5 ‘Data Subject’ means the identified or identifiable living individual to whom personal data relates.

2.6 ‘Controller’ means the natural or legal person, public authority, agency or other body which, alone or jointly with others, determines the purposes and means of the processing of personal data.

2.7 ‘Processor’ means a natural or legal person, public authority, agency or other body which processes personal data on behalf of the controller.

2.8 ‘Filing system’ means any structured set of personal data which is accessible according to specific criteria, whether held by automated means or manually and whether centralised, decentralised or dispersed on a functional or geographical basis.

3. Policy Statement

3.1 Fenland District Council supports the objectives of GDPR and DPA and seeks to ensure compliance with this data protection legislation.

3.2 This policy aims to ensure that the provisions of the GDPR and DPA are adhered to whilst protecting the rights and privacy of living individuals; ensuring their personal data is not processed without their knowledge, that it is held securely, that it is only held for as long as necessary and only shared with those who it needs to be shared with.

4. Scope

4.1 All staff and members, both permanent and temporary, are required to adhere to this policy. They have a responsibility for handling personal data safely, securely and in line with the Council's policies. All volunteers, work placements and any agency workers are required to read and comply with this policy and GDPR requirements.

~~4.~~5. Aims and Objectives

5.1 This policy sets out the Council's commitment to upholding the data protection principles outlined in the GDPR and managing information held fairly and lawfully. It seeks to strike an appropriate balance between the Council's need to make use of personal information in order to manage their services efficiently and effectively and respect for the privacy of individuals.

5.2 To assist staff in meeting their statutory obligations under the GDPR and DPA and provide a guide to the public on the Council's obligations with regard to the processing of their personal data.

5.3 In particular this policy aims to:

- Assist the council in complying with all requirements of the GDPR and DPA.
- Ensure that personal data is readily available on request and that requests from Data Subjects are dealt with in a timely manner.
- Ensure adequate consideration is given to whether or not personal information should be disclosed.
- Ensure increased awareness of Data Subjects to the amount of personal data processed and stored by the council about them and advise them of their rights under the data protection legislation.

5.4 The council also aims to mitigate the following risks through this policy:

- Accidental or deliberate breaches of the DPA and/or the GDPR
- Potential action against the council from the ICO due to the loss or misuse of personal data

- Potential legal action from any Data Subjects due to a breach of their data protection rights

- Potential reputational damage to the council as a result of any breaches of GDPR

5.5 The council will endeavour to promote greater openness, provide increased transparency of data processing and build public trust and confidence in the way that the council manages information about its customers.

~~5.~~6. Roles and Responsibilities

6.1 All employees of the council will be responsible for ensuring that Subject Access Requests are dealt with in accordance with this policy and that personal data is processed appropriately. This includes ensuring that personal data supplied to the council is accurate, up-to-date and held securely.

6.2 Members will be responsible for complying with this policy when engaging in Council business and must be aware of their responsibilities as individuals. Whilst Fenland District Council acts as the controller and is therefore liable for violations regarding personal data, Councillors must be aware that it can be a criminal offence to process personal data outside of their role as a District Councillor or without due authorisation from the council. A serious breach of this policy by a member is a potential breach of the Council's Members' Code of Conduct and would warrant investigation.

~~6.2~~6.3 Overall responsibility for the GDPR and DPA will rest with the Senior Information Risk Officer (SIRO), Carol Pilson, in consultation with the Data Protection Officer, Anna Goodall. Anna can be contacted at AGoodall@fenland.gov.uk or on 01354 62 2357.

~~6.3~~6.4 The Council's Corporate Management Team is responsible for approving this policy and for managing compliance with the GDPR and DPA.

~~6.4~~6.5 The Council's Data Protection Officer is responsible for the provision of advice, guidance and training regarding data protection legislation and will be responsible for keeping this document up to date. The Data Protection Officer must also monitor data protection compliance and increase awareness of both the DPA and GDPR across the council. The Data Protection Officer shall act as the contact point with the ICO.

6.6 The SIRO will take overall ownership of information security, act as champion for information risk at Corporate Management Team and provide written advice to the Data Protection Officer on the content of the Council's Annual Governance Statement in regard to information risk. The SIRO implements and leads the Information Governance (IG) risk assessment and management processes within the council and advises SLT on the effectiveness of information risk management.

~~6.5~~6.7 Heads of Service will be responsible; for ensuring operational compliance with this policy within their own departments, for compiling and maintaining their Record of Processing Activities (ROPA) for his or her department and, for becoming involved in consultations with the Data Protection Officer when applicable.

6.8 All services are required to create and maintain their own privacy notices in consultation with the GDPR officer (Niall Jackson). The council shall inform individuals of its privacy information via its website, and will provide copies in such other reasonable format on request.

6.9 GDPR service champions are required to attend extra GDPR training, attend regular meetings on data protection, disseminate what they have learnt across their service areas and make any necessary alterations within their service area to improve compliance with the GDPR and DPA.

6.10 All staff must understand the main concepts of GDPR, identify and report any risks to personal data security to the GDPR service champion and identify and report any data breaches to the DPO at the earliest possible time using the data breach reporting form which can be found on the intranet.

~~6.6~~6.11 Internal Audit will undertake reviews to assess the procedures and policies in place that relate to data protection.

~~6.~~7. Council Statement on Data Protection Requirements

7.1 This policy applies to the acquisition and processing of all personal data within the council and sets out how the council will ensure that individual's rights and freedoms are protected.

- The council will comply with Article 8 of the Human Rights Act in respect of the processing of personal data.

- The council, as the Data Controller, will make individuals aware of the purpose(s) it is processing their personal data for and will seek consent where appropriate.

- ‘Consent’ of the Data Subject means any freely given, specific, informed and unambiguous indication of the Data Subject’s wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her.

- The council will provide general information to the public about their statutory rights under the GDPR and DPA on our website.

- The council will hold the minimum amount of personal data necessary to carry out its functions, and every effort will be made to ensure the accuracy and relevance of data processed.

- The personal data held by the council will be kept in accordance with the six principles of the GDPR. The council will keep all electronic and manual records in accordance with its Data Retention Schedule.

- Periodically a risk assessment will be undertaken, via audit reviews, for all data processing, and when inadequate controls are identified, technical and organisational security measures will be taken, appropriate to the level of risk identified.

- Personal data will only be used for the direct promotion or marketing of goods or services with the explicit consent of an individual.

- Data sharing and data matching with external agencies will only be carried out under a written contract setting out the scope and limits of the data agreement. This should be in line with the Information management Policy.

- Elected Members and staff will be trained to an appropriate level in the use and supervision of personal data.

- Breaches of this policy may be subject to action under the Council’s disciplinary procedure.

8. Data Protection Impact Assessment's

8.1 Data Protection Impact Assessment's (DPIA's) are a mandatory requirement under GDPR and are required when processing is likely to result in a high risk to individuals rights. Before undertaking any new work stream which is likely to involve personal data, the council will carry out a DPIA.

8.2 DPIA's are a means of addressing a projects risk as part of overall project management. They are carried out with a view to identifying and managing any project risks relating to personal data which is collected, used, stored, distributed and destroyed throughout a project.

8.3 The function of the DPIA is to ensure that data protection risks are properly identified and addressed wherever possible, and that decision-makers have been fully informed of the risks and the options available for mitigating them. For those policies that involve data sharing, this could include the risks if data is not shared.

8.4 The DPIA will set out information such as; the personal data to be collected, how it will be used, how it will be stored, whether it will be shared and for how long it will be retained.

8.5 Not every proposal will require a DPIA. The key questions in determining whether a DPIA is needed are:

- Will the proposal involve the processing of personal data of individuals?
- Is there a risk to the personal data or individuals' rights?
- Has a DPIA already been conducted for similar work?
- Do the ICO require you to do a DPIA?

8.6 A DPIA template has been provided for use on the Council's intranet site.

9. Data Handling

9.1 Service areas must only collect the minimum amount of personal data that is necessary to fulfil their purposes. Service areas must not collect personal data on the basis that it may be useful, there must be a specific purpose.

9.2 When personal data is collected it must be ensured that the Data Subject is informed who the Data Controller is, the purpose(s) for which the personal data is to be used and any other information about how it will be used or shared. This can, and should, be provided in the form of a privacy notice.

9.3 The Information Security Policy should be adhered to in order to minimise the risk of a data breach.

9.4 Where applicable anonymisation or pseudonymisation techniques should be employed to protect personal data. These techniques should be utilised when necessary, particularly when sharing personal data with third parties.

9.5 All staff are responsible for ensuring that personal data is used and stored properly to prevent unauthorised access.

9.6 All personal data should:

- be stored in locked desks or filing cabinets when not in use
- only be accessed on secure Council equipment and have limited access based on its sensitivity
- not be visible on screens to unauthorised persons including the public and other members of staff
- not be taken out of Council offices or stored externally unless such use or storage is necessary and authorised by your line manager
- only be kept for as long as is necessary and disposed of securely when no longer needed

9.7 All personal data held by service areas should be reviewed at regular intervals and deleted when it passes its retention date unless there are sufficient reasons to extend this period.

9.8 Duplicate records should be avoided to reduce the risk of inaccuracies and anomalies.

10. Contracts

10.1 Whenever the council uses a third party to process an individual's data on the council's behalf there must be a written contract in place

10.2 The contract must include specific GDPR clauses surrounding the security of personal data and other data protection requirements such as access control, retention periods, and deletion of personal information. Sufficient procedures should be put in place regarding subject access requests and complying with individuals data rights such as the right to rectification.

10.3 The council shall ensure that they only use third parties who can provide sufficient guarantees that the requirements of data protection law shall be met and the rights of individuals protected.

~~7.~~11. Information Requests

11.1 Requests from Data Subjects for copies of personal data that the council holds about them (Subject Access Requests) can be made in writing or verbally. This includes requests transmitted by electronic means, providing they are received in a legible form and are capable of being used for subsequent reference.

11.2 If a person is unable to articulate their request in writing we will provide advice to assist them in formulating their request.

11.3 If the information sought is not described in a way that would enable the council to identify and locate the requested material, or the request is ambiguous, the council will seek additional clarification.

11.4 The council will not provide assistance to an applicant who is not the Data Subject, unless it is confirmed that the explicit consent of the Data Subject has been obtained for a third party to request the Data Subject's personal data.

~~8.~~12. Prompt Replies to Requests

12.1 The council is committed to dealing with requests for information promptly and no later than the statutory guideline of one calendar month.

12.2 The council would not expect every application for information to take one calendar month and will endeavour, where possible, to provide the requested information at the earliest opportunity from the date of the request.

12.3 However, if the council considers the request to be complex, it may extend the time by up to two extra calendar months.

12.4 In this instance the council will notify the applicant in writing that the Subject Access Request requires further time and will provide an estimate of a 'reasonable time' by which they expect a response to be made.

12.5 These estimates shall be realistic and reasonable taking into account the circumstances of each particular case.

12.6 Unlike Freedom of Information requests, there is no upper cost or time limit for a Subject Access Request.

~~9.~~13. Exempting Information from Non-disclosure

13.1 The GDPR is designed to prevent access by third parties to a Data Subject's personal data. However, under the DPA there are circumstances which allow disclosure of a Data Subject's personal data to a third party, or for it to be used in a situation that would normally be considered to breach the GDPR.

13.2 Exemptions from the non-disclosure of personal data are given below. This list is not exhaustive.

- Crime and taxation: general

    a. the prevention and detection of crime
    b. the apprehension or prosecution of offenders, or
    c. the assessment or collection of any tax or duty or of any imposition of a similar nature

- Crime and taxation: risk assessment systems
- Immigration
- Information required to be disclosed by law etc. or in connection with legal proceedings

13.3 The council will only use these exemptions where it is in the public interest to do so, i.e. prevention of crime, or where the functioning of the council requires the processing of personal information to be exempt so that it can provide statutory services to members of the public.

~~10.~~14. Refusal of Subject Access Requests

14.1 The council will not supply information to a Data Subject if:

- We are not satisfied with the identity of the Data Subject

- Compliance with the request will inadvertently disclose personal information relating to another individual without their consent

- The applicant has recently requested the same or similar information

14.2 The council considers that when a valid reason, which is both robust and legally defendable, exists for refusing the disclosure of information to either the Data Subject or a third party, the information should be withheld.

14.3 When information is withheld, full explanations of the reasoning behind the refusal must be provided to the applicant. This explanation must also include the details of how the applicant can complain about the Council's decision.

14.4 All requests for personal data made by the Data Subject will be dealt with under Chapter 3 - Rights of the Data Subject section of the GDPR, not the Freedom of Information Act 2000.

15. Data Breaches

15.1 This section should be read alongside the Council's Reporting Personal Data Breaches policy.

15.2 A personal data breach means a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes.

15.3 If any employee or member of the public becomes aware of a breach of the Policy, they should immediately report it to the Data Protection Officer who will be able to advise on any immediate action to be taken. The council have provided a Data Breach Reporting form on the intranet.

15.4 Upon receipt of notification of a breach, the Data Protection Officer will investigate the allegation and, if substantiated, identify an action plan which will include details of containment and recovery action, an assessment of the risks and identify any notifications that need to take place.

15.5 The GDPR requires all organisations to report certain types of personal data breaches to the ICO. If the breach is likely to result in a high risk of adversely affecting individuals' rights and freedoms, the council will also inform those individuals without undue delay.

15.6 Breaches must be reported to the ICO within 72 hours of the council becoming aware of the breach, where feasible.

15.7 The Data Protection Officer will consider the seriousness of the breach, the amount of data, the type of data, the number of customers affected, where the data is now located and whether it is recoverable or not.

15.8 If a Data Subject's personal data is disclosed outside of its intended purpose, they have a right to sue the responsible individual. Individual Officers and Members of the council may be prosecuted under GDPR, not just the council as a whole.

15.9 Deliberate breaches will result in disciplinary action under the Disciplinary (Conduct) policy based on each individual instance.

~~11.~~16. Appeals and Complaints

16.1 Where an applicant is dissatisfied with the level of service they have received, they are entitled to complain about the actions of the council through the internal appeals procedure. All complaints should be forwarded to:

Member Services
Fenland District Council
County Road
March
Cambs
PE15 8NQ

E-mail: foi@fenland.gov.uk

16.2 The applicant will receive a response to their correspondence within twenty working days. If the applicant remains dissatisfied with the Council's reply, they have the option of taking their complaint to the Information Commissioner (at the address below) who will independently adjudicate each case and make a final decision.

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire

SK9 5AF

This Policy shall be held on both the Council's intranet and public website

Appendix A

Data Protection Principles

Personal data must be:

- Processed lawfully, fairly and in a transparent manner in relation to the Data Subject ('lawfulness, fairness and transparency').

- Collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes; further processing for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes shall, in accordance with Article 89(1) not be considered incompatible with the initial purposes ('purpose limitation').

- Adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed ('data minimisation').

- Accurate and, where necessary, kept up to date; every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay ('accuracy').

- Kept in a form which permits identification of Data Subjects for no longer than is necessary for the purposes for which the personal data are processed; personal data may be stored for longer periods insofar as the personal data will be processed solely for archiving purposes in the public interest, scientific or historical research purposes or statistical purposes in accordance with Article 89(1) subject to implementation of the appropriate technical and organisational measures required by this Regulation in order to safeguard the rights and freedoms of the Data Subject ('storage limitation').

- Processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures ('integrity and confidentiality').

Appendix B

Conditions for Processing Personal Data

The basis for processing personal data must be lawful. At least one basis from the list below must apply whenever the council processes personal data:

a. Consent – the individual has given clear consent for the council to process their personal data for a specific purpose (Note: Consent can be withdrawn at any time)
b. Contract – the processing is necessary for a contract the council has with the individual, or because they have asked the council to take specific steps before entering into a contract.
c. Legal obligation- the processing is necessary for the council to comply with the law
d. Protect life – necessary to protect someone's life
e. Public task – the processing is necessary for the council to perform a task in the public interest or for the Council's official functions, and the task or function has a clear basis in law
f. Legitimate interests – (but cannot be used for processing carried out by public authorities in the performance of their tasks)

Processing Special Category Personal Data

The glossary sets out the categories of special data which need to be processed with extra care. The special categories of personal data are subject to stricter conditions of processing. There are conditions for processing special categories of personal data, set out in Article 9 of GDPR and are summarised:

a. The Data Subject has given explicit consent, or
b. It is necessary for employment, social security or social protection law*
c. It is necessary to protect life or where an individual is physically or legally incapable of giving consent
d. It is carried out in the course of legitimate activities by certain not for profit organisations where it relates to specific persons
e. Where the personal data is manifestly made public by the individual
f. It is necessary for the establishment or defence of legal claims
g. It is necessary for reasons of substantial public interest*
h. It is necessary for purposes of preventative or occupational medicine and reasons relating to the provision of healthcare*
i. It is necessary in the interest of public health*
j. It is necessary for archiving purposes in the public interest or for scientific or historical research.*

Appendix C

Data Subject Rights

Subject to some legal exceptions, individuals will have the rights below:

- Right to request a copy of any information we hold about you
- Right to rectification (if inaccurate data is held)
- Right to erasure (‘right to be forgotten’) in certain circumstances
- Right to restriction of processing in certain circumstances
- Right to data portability (personal data transferred from one data controller to another)
- Right to object (to profiling, direct marketing, automated decision-making)

Appendix D

1. Legal Framework and Relevant Legislation

- General Data Protection Regulation 2018
- Data Protection Act 2018
- The Criminal Justice and Immigration Act 2008
- The Environmental Information Regulations 2004 (SI 2004/3391)
- The Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2003/2426)
- The Regulation of Investigatory Powers Act 2000 (RIPA)
- The Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000 (SI 2000/2699)
- Freedom of Information Act 2000
- Human Rights Act 1998
- Computer Misuse Act 1990
- This list is not exhaustive

2. Reference Documents

- Information Management Policy
- Information Security Policy
- Members' Code of Conduct
- Reporting Personal Data Breaches Policy and Procedures

Version Control

Policy name	Data Protection Policy			
Policy description	Alignment of policies and how to comply with Data Protection Act 2018 and General Data Protection Regulation			
Responsible Officer	Anna Goodall			
Version number	Date formally approved	Reason for update	Author	Review date
1.0	November 2019	Creation of Data Protection Policy	Anna Goodall	January 2020
2.0	February 2020	Altered structure to reflect FDC policy guidance. Added points on Contracts, DPIAs, Data handling and Data breaches	Anna Goodall	January 2021

Agenda Item No:	8	Fenland CAMBRIDGESHIRE
Committee:	Corporate Governance	
Date:	4 February 2020	
Report Title:	Corporate Risk Register quarterly review	

1 Purpose / Summary

- To provide an 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 Chris Boden – Leader and Portfolio Holder for Corporate Governance
Report Originator(s)	Sam Anthony – Head of HR&OD
Contact Officer(s)	Paul Medd – Chief Executive Peter Catchpole –Corporate Director & Chief Finance Officer Carol Pilson – Corporate Director Gary Garford – Corporate Director Sam Anthony – Head of HR&OD
Background Paper(s)	Previous reviews of the Corporate Risk Register: minutes of Corporate Governance Committee

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 The Council's Risk Management Strategy and Policy is currently under full review, and will be presented to the Corporate Governance Committee in due course.

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. This information has been added in to the attached document to provide further clarity.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. This information has also been added in to the attached document to provide further clarity.

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.

6.5 In addition to the above changes, some additional narrative had been added around the Risk Management Process (at section 2); the Monitoring and Escalation Framework (at section 4); the Risk Appetite and tolerance levels; and a heat map showing all the residual risks at page 28.

7 Next steps

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

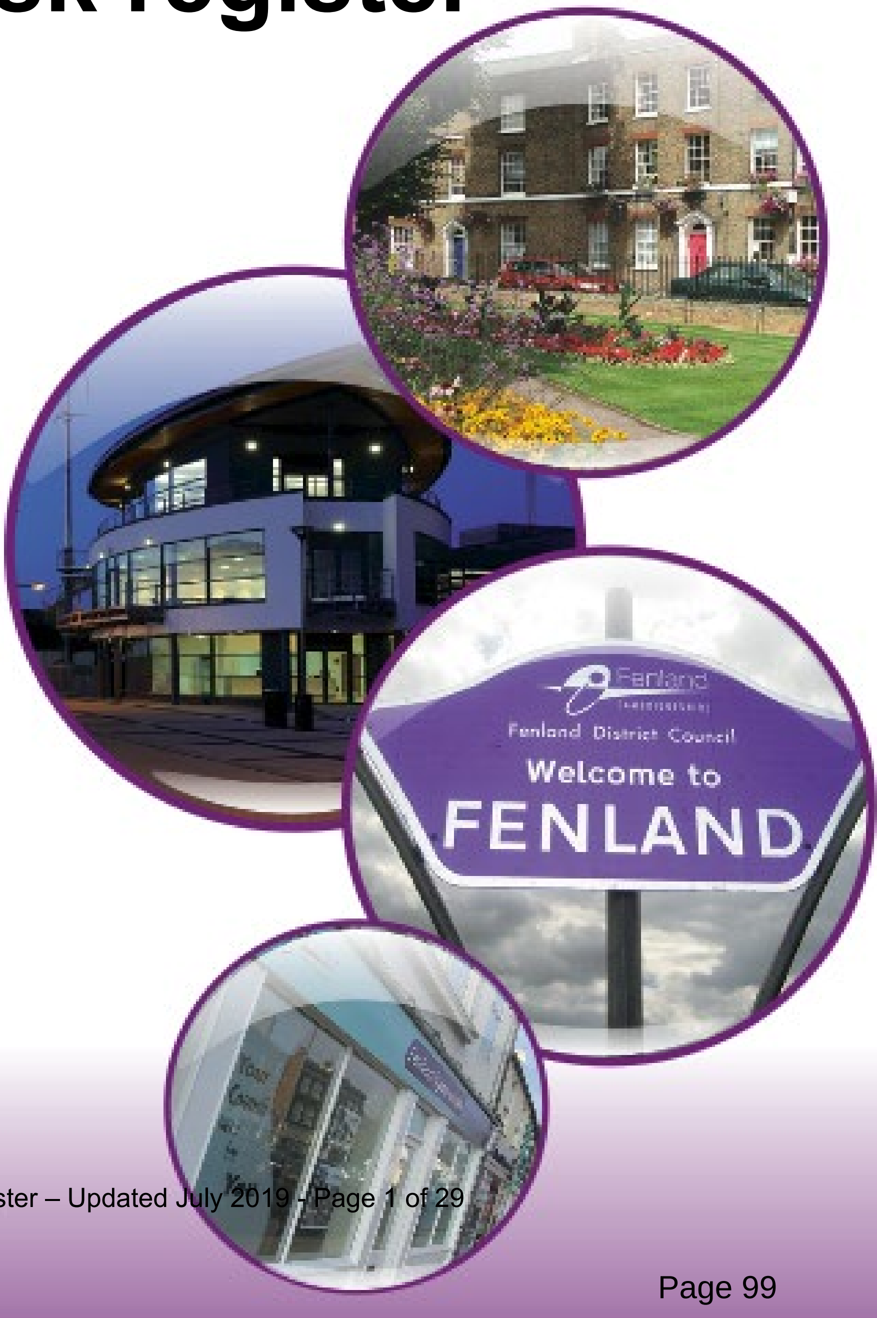
8 Conclusions

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.

Corporate risk register

Reviewed and updated January 2020



1 Introduction

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

2 Risk Management process

2.1 Risk Management is designed to identify what could affect the achievement of objectives, and to plan a proportionate response.

2.2 The Council's approach to Risk Management is documented within the Risk Management Framework. It aims to ensure that risks are identified for both strategic and operational activity. This includes:

- corporate and service priorities;
- project management;
- decision-making and policy setting; and
- financial and performance monitoring and planning.

2.3 The Risk Management Framework provides tools to manage risks for the different types of system and control environment; such as the Corporate Risk Register to capture and summarise significant and strategic risks; team risk registers which help inform service planning and actions; risk and hazard identification documents are shared with management as appropriate during audit reviews; and health and safety risk assessments which are updated annually by teams.

2.4 The frequency and mechanism for monitoring risks reflects the type of monitoring system, and the pace of changing circumstances, for example:

- Project risks will be recorded in project risk registers, and are reviewed frequently throughout the projects life.
- Operational risks are identified through audit and inspection work, and are assigned dates and ownership.
- Operational risks are identified through service planning and are linked to the service plan actions. These are typically monitored monthly through team meetings as part of the Councils Performance Management framework.

2.5 The Annual Governance Statement records governance actions, which are reviewed biannually as good practice. The Corporate Risk Register comprises strategic and significant risks. The register can both inform and reflect risks recorded in other risk management systems. It may refer to more detailed analysis of risks, presented to committees, such as the Medium Term Financial Strategy. Appropriately, mitigation may be linked to specific actions recorded and monitored through service plans, or committee forward plans.

2.6 Risks are categorised, and scored according to their impact and likelihood. This activity allows managers, to prioritise resources to mitigate them. Strategic and significant risks are defined by the Councils risk appetite.

2.7 The outcomes of this process are reported to the Corporate Governance Committee at least twice each year in the form of the attached Corporate Risk Register.

2.8 The review of the Risk Management Framework, Policy and Strategy, will be reported to the Corporate Governance Committee at least annually. The Risk Management process, and register, will provide assurance for the Annual Governance Statement.

3. How risks are scored

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

3.2 The probability - “likelihood”, and effect - “impact”, of each risk must be identified in order to help assess the significance of the risk and the subsequent effort put into managing it.

3.3 The risk score is calculated by multiplying the impact score by the likelihood score:

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

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

IMPACT x LIKELIHOOD = RISK SCORE

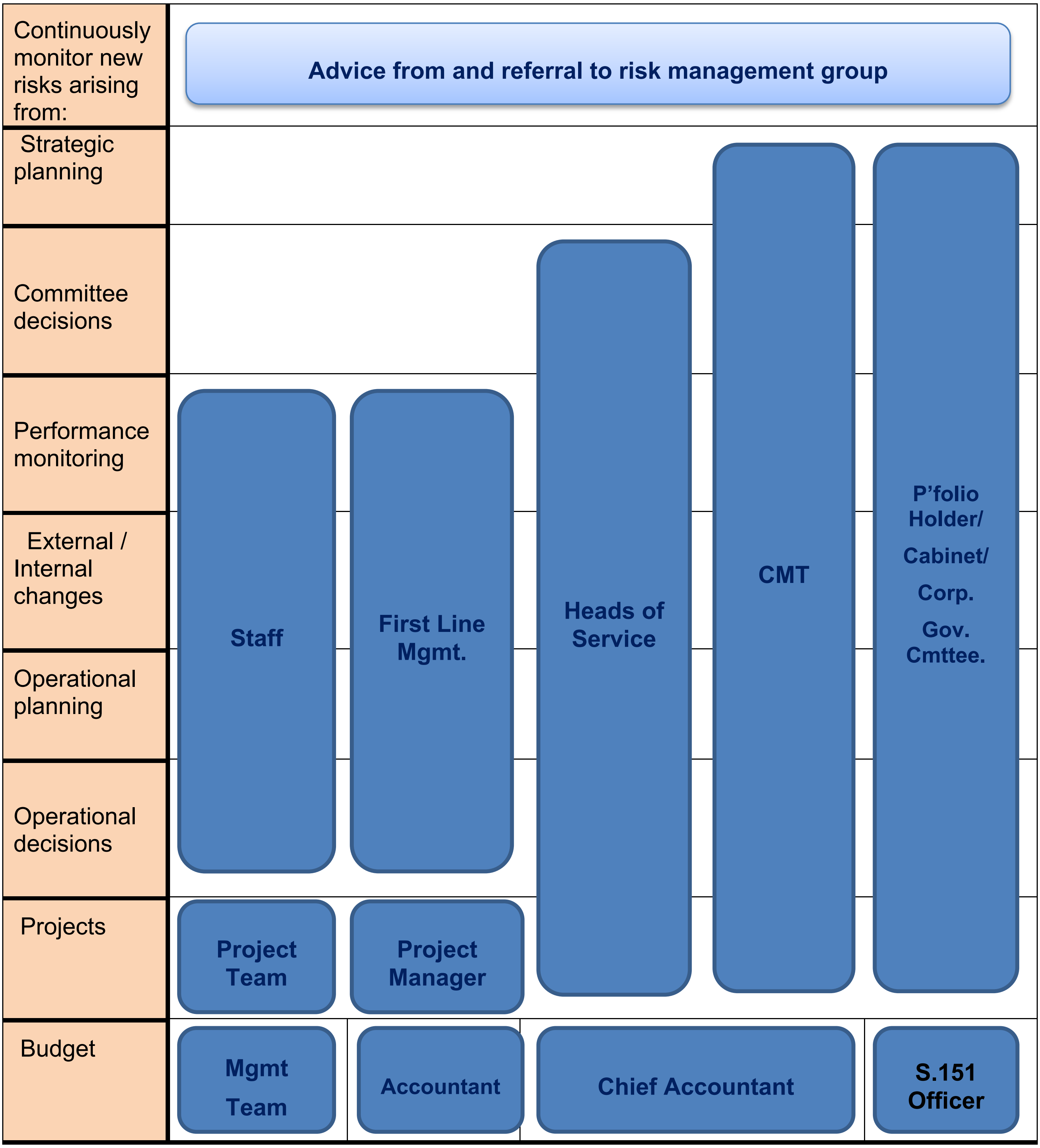
3.4 The impact and likelihood of risks is scored with regards the below levels:-

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

4. Monitoring and escalation framework

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

.



5.0 Risk appetite and tolerance levels

5.1 Risk appetite and tolerance is the amount of risk an organisation is prepared to accept, or be exposed to at any point in time. It can indicate where action is required to reduce risk to an acceptable level, plus opportunities for positive outcomes which can be monitored.

5.2 The Council has adopted the approach and definitions used by CIPFA and the Institute of Risk Management:

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

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

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

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

5.3 Typically an individual's perception of an acceptable risk is the same irrespective of which definition is used. Differences may occur where risks cannot be controlled or completely eliminated. For example political and legislative change is an external driver which cannot be fully mitigated. In this instance the risk tolerance, and ability to manage the risk, may be greater than risk appetite.

5.4 It is recognised that the tolerance or appetite is subjective, and may change according to the environment, internal and external drivers. Consequently it is important, regardless of the terms used, that everyone has a consistent approach to risk taking to prioritise resources effectively.

5.5 The Councils risk appetite is set by the Corporate Management Team and is reviewed periodically. This provides guidance to everyone on acceptable levels of risk taking, to encourage a consistent approach to risk management.

5.6 Different risk appetites can be illustrated on a five by five matrix as three levels: high, medium and low. The Council is risk aware and the current level is determined by CMT as medium. This provides guidance that any inherent risk scored at 15 or greater is to be considered for the Corporate Risk Register.

1.7 Once controls are in operation the risks can be scored again to illustrate the residual risk

6. The corporate risk register at a glance

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

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

7 Corporate risk register

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
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	4	20	• 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 senior staff attend regular multi-agency briefing and planning meetings. Management Team conduct periodical exercise to test the Councils readiness for an emergency. Recovery Training has been delivered in-house to Management Team in January 2020. Additional training is in progress (Rest Centres, Incident Officers and Tactical Management) during 2020. Recovery Training has been delivered to all senior managers by the Cambridge and Peterborough Local Resilience Forum (CPLRF); additional training is in progress (Loggist, Recovery and Tactical Management). The Council's Emergency Management and Rest Plan have been updated. We have increased and trained the number of volunteer rest centre staff available. The Council will retain the use of each of the four Leisure Centres for rest centre sites. The Council will be implementing a rota for officers to be 'on call' in the event of an emergency

Reference	Risk and effects	Risk if no action: Impact	Likelihood	Score	Mitigation	Current risk: Impact	Likelihood	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	5	25	• Data protection policy and procedure • Freedom of Information publication scheme • Data retention policy and procedure for archive and disposal • Information breach response plan • Monitoring Officer role comprises Senior Information Risk Officer function • Business continuity plans • ICT system security • Public Services Network compliance • Paperless office project • Countywide information sharing framework	4	3	12	Carol Pilson / Peter Catchpole	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Regular review of business continuity plans • Disaster Recovery testing is undertaken at regular intervals	GDPR is live, see risk 1. An additional internet feed to Fenland Hall has been installed to improve resilience. The likelihood score has been reviewed and increased due to the increase globally of cyber crime The Council's internet and email protocols have been updated.

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	4	3	12	Peter Catchpole	• 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. The likelihood score has been reviewed and increased due to the increase globally of cyber crime

		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
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	3	4	12	Paul Medd	• Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Resources identified, approved and implemented without delay. • Constant monitoring • Horizon scanning via professional bodies • Joint/collaborative working	The risks of legislative change remain high as a result of the effects of the ongoing Brexit process, albeit that Brexit itself has been identified as a risk to the Council. (see reference number 2) The recent election has lessened the potential likelihood of significant changes

		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
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	4	16	• 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.	The Leisure service was outsourced in December 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. We have a Contract Manager in post whose role is to manage/monitor the performance of the main Grounds Maintenance contract and the Leisure Service contract. All other shared services/contracts have a full review and governance process in place to ensure ongoing delivery and performance standards

		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
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 • Robust sickness management processes	4	3	12	CMT	• 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 targeted health and safety refresher training is in place as per service specification Flu jabs are being provided for employees

		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 • Robust sickness absence management	3	4	12	Peter Catchpole	• Business continuity plans for each service. • Culture of Council remains effective • Workforce planning, which includes succession planning for key roles an talent management • A comprehensive programme of health surveillance for groups of employees who work in certain service areas (e.g. refuse drivers, workshop, port staff, etc.) • Trained Mental Health First Aiders in place • Stress awareness training • Resilience training • Staff engagement and consultation processes	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. All organisational changes are considered by the senior management and a wider project group to ensure all service provision issues are properly considered and managed. The Council has a health and wellbeing programme in place which supports the existing suite of Policies, Codes of Practices and processes, this includes a wide range of support to help promote and encourage their good health and wellbeing, such as: • A dedicated Occupational Health Advice and guidance support service available for all colleagues; • Access to a health care plan for all employees (at nil cost to the Council) to enable financial support to access a wide range of health care specialists and interventions (e.g. chiropractic services, dental treatment, acupuncture, reflexology, chiropody etc.) • A confidential Employee Assistance Programme (EAP), which provides a counselling service to staff where needed. • A dedicated on line platform offering a wide range of support and advice for all employees of a comprehensive range of issues.

		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. Risk of GDPR breach and ICO sanction/fine	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	2	5	10	Carol Pilson	• 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. 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. All staff undergo GDPR training, and opportunities for further Member training in this area are currently being explored The Council now has a dedicated GDPR Officer, and each service is required to have a dedicated GDPR lead

Reference	Risk and effects	Risk if no action: Impact	Likelihood	Score	Mitigation	Current risk: 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	2	3	6	Peter Catchpole / Carol Pilson	• 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.	Government Withdrawal Agreement Bill has been passed ruling out a No-Deal situation, hence the likelihood rating has been revised to 3 The Council continues to monitor progress and take account of any effects on local government as they emerge. The Council is actively preparing for the likely outcomes of ongoing Government Brexit negotiations: • The Council has a Corporate Brexit Project group; • 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 • The Council is a member of the Cambridgeshire Public Service Board, (This is the Executives of the partner organisations within the county, and Brexit is a standing item on their current agenda). The Council has fully reviewed information on its workforce and the requirements for any EU workers; we are also liaising with all partners to ensure their preparedness in this area. The Council have also promoted Community awareness in this area by providing signposting information via Community Support teams

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	Peter Catchpole	• Using intelligence to model and plan for future changes and risks and move away from reliance on Govt funding to balance our budget. • Regular monitoring of current position and reporting to Members. • Workforce planning covers all scenarios. • Inclusion in national working groups, modelling and lobbying for funding system after RSG ceases. • Sharing Council's Efficiency Plan with the Government allows guaranteed multi-year grant settlement raising funding certainty. • Shared services and partnership working	We are closely watching local government finance and the Council's current budget and Medium Term Financial Plan reflects how the Council will balance its budget and maintain appropriate reserves. 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. The Council will continue to monitor the risk rating. The Council now has an agreed Commercialisation and Investment Strategy which will enable the Council to generate additional income. Each service is required to review and identify any opportunities for transformation, commercialisation and efficiency

		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
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	Peter Catchpole / Carol Pilson	• 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. The Fraud tea within the Anglia Revenues Partnership (ARP), have continued to work on this area, and identified £295,041 of fraud up until October 2019. Anti-Fraud and Corruption Strategy is currently being reviewed. A fraud awareness training programme for all staff is currently being developed The Council's ICT systems have also been reviewed and updated to provide better protection against potential fraud – please see risk 6 (Page 21)

		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 / Peter Catchpole	• 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. • Ensure all Partners have robust Business Continuity Plans in place • GDPR compliance • Robust ICT governance processes	The Annual Governance Statement being reported to Corporate Governance Committee 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 required savings targets 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 • Robust Workforce planning	3	3	9	CMT	• Robust control of corporate Transformation Plan. • Regular progress reports and assurance to Members. • Service transformation projects • Commercialisation and Investment Strategy	Delivery of Council Efficiency targets continue including delivering savings planned for in the Council's annual budget and medium term financial strategy. Cabinet have considered the Council's projected positive financial outturn position.

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
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	Peter Catchpole	• 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.

		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
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 Reputational damage Staff turnover Increased sickness absence	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 • Consultation strategy • Management, Trade Union and Staff Partnership group (MTSP)	3	3	9	Carol Pilson	• CSE Action Plan. • Staff survey. • Public consultations on key issues. • 3cs refresher training • Team meetings • "What's Breaking" communication and "Horse's Mouth" updates from the Chief Executive to all staff	The Council's CSE performance is assessed each year by an external expert. The Council has a dedicated project team to ensure ongoing progress against CSE requirements/actions across all service areas to ensure consistent and effective communication to our customers. All change projects are supported by a robust communication programme to ensure that stakeholders are fully informed.

		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
20	Risk:- Commercial uncertainties associated with decisions taken as part of the Council's Commercial and Investment Strategy. Effects:- Reputational damage Financial loss Impact on services, staff and community	5	4	20	• Robust oversight and governance arrangements • Expert professional advice • Robust budget management • Thorough project management and business cases process	3	3	9	CMT	• All governance requirements in place	The Council's Risk Appetite is currently being reviewed

		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	2	4	8	Peter Catchpole	• 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 Strategy was considered is currently being reviewed. Updates are provided to Cabinet and Council on a half-yearly basis .

		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 Insufficient leadership and/or management capacity to deliver Council priorities 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 • Effective Governance structures	2	3	6	CMT	• Ensure all services have effective Workforce plans incorporated into Service Plans, which ensure all work is prioritised • Effective succession planning. • Effective use of project management approaches/ principles when delivering priorities/ strategies	All services have published service plans, learning requirements and workforce plans for 2019-20 to ensure teams are staffed according to current establishment and to take account of priorities and longer-term trends.

		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
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 • Corporate Business Continuity Plans	2	3	6	Peter Catchpole	• Regularly test Emergency Plan • Test service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Provision of 'drop down' facilities for staff	Emergency plans – ongoing programme of review, testing and training of staff involved in a response Plans regularly checked and tested and emergency planning exercise was conducted last month. Improved ICT systems provide better/increased opportunities for remote/agile working

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
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. Reputational damage	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. Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings.

Heat Map – Residual Risk

LIKELIHOOD SCORE	1	2	3	4	5
5		1-Legislative changes			
4		12-Failure of external investment institutions	4-Failure of IT systems 3- Failure of contractors and suppliers working on the Council's behalf 16-Service provision affected by organisational change 17-Political changes in national priorities	9–The Councils ability to cope with a natural disaster	
3		5-Insufficient staff to provide Council services 7-Lack of access to Council premises prevents services being delivered 2-Brexit	8-Funding changes make Council unsustainable 11-Fraud & error committed against Council 13-Failure of Governance in major partners/the Council as a result of partnership working 14-Failure to achieve required savings targets 18-Capital funding strategy failure 19-Poor communications with stakeholders 20-Failure of Commercialisation & Investment Strategy.	4-Failure of IT systems 6-Breach of ICT security causes loss of service 10-Major health and safety incident	
2				15-Over-run of major Council projects in time or cost	
1					

This heat map illustrates where the corporate risks reside within the organisations risk appetite

IMPACT SCORE

Risk Appetite

Risk Appetite

This page is intentionally left blank