

AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 1 FEBRUARY 2021

4.00 PM

VIA ZOOM

Committee Officer: Joanne Goodrum
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Due to the COVID-19 outbreak and the restrictions by the Government on gatherings of people, this meeting will be conducted remotely using the Zoom video conferencing system. There will be no access to this meeting at the Council offices, but you can view the meeting on YouTube, apart from any items marked confidential.

- 1 Appointment of Chairman for the Municipal Year.
- 2 To receive apologies for absence.
- 3 Appointment of Vice Chairman for the Municipal Year.
- 4 Minutes of the last meeting of the former Corporate Governance Committee and Staff Committee (Pages 3 - 10)

To confirm the minutes of the final meeting of Corporate Governance Committee held 2 November 2020.

To confirm the minutes of the final meeting of Staff Committee held 10 December 2020.

- 5 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.

6 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.

7 Internal Audit Progress Report Quarter 3 (Pages 11 - 20)

To report progress against the Internal Audit Plan 2020-21 for the period 01 April 2020 including planned work until 31 December 2020 and the resulting level of assurance. To provide an update to members on the resourcing issues of the internal audit team.

8 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22 (Pages 21 - 40)

The purpose of this report is to provide Members with information on the proposed Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2021/22.

9 Corporate Risk Register review (Pages 41 - 72)

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

10 Work Programme 2020/21 and 2021/22 (Pages 73 - 76)

To note the Audit and Risk Management Committee's Work Programme for 2020/21 and 2021/22.

11 Items of Topical Interest.

12 Items which the Chairman has under item 5 deemed urgent.

Friday, 22 January 2021

Members: Councillor K French, Councillor Mrs M Davis, Councillor I Benney, Councillor Mrs J French, Councillor M Purser, Councillor R Skoulding and Councillor S Tierney

CORPORATE GOVERNANCE COMMITTEE

MONDAY, 2 NOVEMBER 2020 - 1.30 PM



PRESENT: 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 N Meekins, Councillor M Purser, Councillor D Topgood and Councillor R Wicks

Officers in attendance: Jo Goodrum (Member Services & Governance Officer), Peter Catchpole (Corporate Director and Chief Finance Officer), Neil Krajewski (Deputy Chief Accountant), Mark Saunders (Chief Accountant) and Kathy Woodward (Internal Audit Manager)

Guests: Mark Hodgson from Ernst &Young (EY).

CGC12/20 PREVIOUS MINUTES.

The minutes of the meeting of the 17 August 2020 were confirmed.

CGC13/20 AUDIT RESULTS REPORT

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

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

- Councillor Booth referred to Page 22, where there is a recommendation relating to the review of land valuations, but there is no owner or target date for completion for that item. Peter Catchpole stated that there has been a delay regarding valuations, due to the Covid 19 pandemic but discussions will take place with EY to ensure that the Council carries out the correct actions. Many of the valuation problems have been caused by the pandemic and to conclude the action may be difficult during the current climate. Councillor Booth stated that the issue surrounding land valuations has been an issue for a few years due to changes of the methodology for the assessments a few years ago, however, he expressed the opinion that it is good practice to allocate an owner and a target date for completion and it should be added to the action log going forward.
- Councillor Wicks expressed the view that he agrees with the point raised by Councillor Booth. He added that there is no indication when the Covid 19 restrictions will be lifted and the recommendation should be added to the action log or somebody should take ownership of the point. Peter Catchpole agreed to take ownership of the recommendation and stated that as Mark Hodgson from EY has indicated that it must be completed by 31 March 2021, he will ensure that the recommendation is met by the target date.
- Councillor John Clark stated that although he agrees with Councillor Booth and Councillor Wicks comments concerning the valuations, the Council must remain realistic, due to the imminent second Covid 19 lockdown, and the fact that the target date of March may not be achievable. He added that it should be placed on the action log, with Peter Catchpole as the owner and the target date of 31 March 2021, but to also include a caveat to indicate if the date is feasible.
- Councillor Mrs French expressed the view that she agrees with the comments and added

that we do not know what the outcome of the second lockdown will be. She expressed the opinion that additional pressure must not be placed on officers.

Corporate Governance Committee noted the contents of the Appointed Auditor - Audit Results report.

CGC14/20 STATEMENT OF ACCOUNTS 2019/2020

Members considered the Statement of Accounts 2019/20 report, presented by Mark Saunders.

Corporate Governance Committee AGREED:

- **To approve the Statement of Accounts and Annual Governance Statement for the financial year ended 31 March 2020.**
- **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 of the Corporate Governance Committee.**

CGC15/20 LETTER OF REPRESENTATION

Members considered the Letter of Representation presented by Peter Catchpole.

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.

CGC16/20 TREASURY MANAGEMENT MID YEAR REVIEW 2020/21

Members considered the Treasury Management Mid-Year Review 2020/21, presented by Mark Saunders.

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

- Councillor Booth asked for clarification regarding the Investment Portfolio and questioned whether the Council has any risk of concentration of investment, because of ratings that maybe applied to where the Council is investing? Mark Saunders stated that this is something that is monitored very closely, and the Treasury Advisers inform the Finance Department of any changes which happen to those type of institutions. He added that the Treasury Advisers are always consulted prior to the Council investing to ensure where we are investing meets the criteria that is required. Mark Saunders explained that there are not many changes to the short-term investments that the Council holds and if the situation becomes long term, then relevant advice will be sought.
- Councillor Clark highlighted that no external borrowing is anticipated in 2021 and stated that officers have confirmed that this also includes the Investment Board. Mark Saunders explained that there is no anticipation for any external borrowing this year but work is underway to put schemes in place for the Commercial Investment Strategy and this borrowing strategy will be reviewed next year. Councillor Clark stated that he has noted in the press that property prices have seen a 5% increase due to the stamp duty holiday and there is forecast a 13.8% reduction in property for next year.
- Councillor Booth stated that there have been a number of articles in the press with reference to potential abuses of drawing monies from the Public Works Loan Board, which Central Government have indicated that they will reviewing and he asked whether this

would limit the opportunities of the Council to be able to borrow from the Government and mean that commercial loans would have to be used instead of the Public Works Loan Board? Mark Saunders explained that any monies borrowed in connection with the Commercial Investment Strategy would depend on the type of investment the Council is looking to do. He added that changes to the Public Works Board rules would not affect any of the schemes that the Council are looking at with the largest of those being considered being the Nene Waterfront scheme, which is a regeneration and housing scheme, which would not be impacted by any of the new regulations. He explained that those issues highlighted in the press are where authorities have borrowed money and then bought property for commercial gain.

- Councillor Benney stated that there appears to be reluctance in investing in property and land with anything that is bought like this being a long-term investment and he feels that if land values fall that would be an opportune time to buy and the value of land will increase over a ten-year period. He expressed the opinion that caution would be a word he would use, but along with caution comes opportunity and there are opportunities for the Council to investigate going forward. Mark Saunders reiterated that advice is always sought from the Council's Treasury Advisers, who are proactive in advising the Council of when it may be an appropriate time to consider any investment opportunities.
- Councillor Wicks stated that in the current climate the future is uncertain of how long Covid 19 is going to impact us and he is pleased to see the cautious stance that is being taken and that advice is sought from the Treasury Advisers, who will be looking at the current time as well as the future.
- Councillor Booth referred to a comment made by Councillor Benney and added to get the maximum benefit you should wait for the funds to fall to the lowest point before you commence buying. He added that due to Covid there is likely to be a cultural shift with regard to the use of office space going forward and in his opinion there needs to be a slight delay before any major decisions are made with regard to potential investment in any office type infrastructure.

Corporate Governance Committee noted the report.

CGC17/20 INTERNAL AUDIT PLAN 2020/21 PROGRESS REPORT Q2

Members considered the Internal Audit Plan 2020 -21 Progress Report Q2, presented by Kathy Woodward.

Kathy Woodward confirmed that when the committee met in August 2020, they agreed to a shortened audit plan due to the Covid 19 pandemic and resourcing of the Internal Audit Team was discussed. She added that since that meeting a restructure proposal has been submitted and agreed by the Staff Committee, which included reinstating the Audit Manager to a full-time role and to also appoint a full-time Apprentice Auditor. Kathy Woodward explained that the restructure will provide a greater resilience to the team and the organisation. The Apprentice Auditor will gain a qualification and the post will last 2 years, but it is hoped that the post will be retained beyond that time. The staffing proposals will enable more days in the audit plan going forward and greater scope to support the Corporate Governance Committee with its changing role in overseeing the Corporate Investment Strategy. Kathy Woodward explained that the current Section 113 sharing arrangements with the Borough Council of Kings Lynn and West Norfolk would also be terminated.

Kathy Woodward explained that work recommenced on the Audit Plan in September and highlighted the audits carried out since that time and those currently being undertaken. She explained that within the report she has outlined the additional support that has been given during the first six months of the year considering the Covid 19 pandemic, which included work dealing with the discretionary grant scheme, small business grants and the test and trace isolation payments. Other work has been carried out regarding providing information for the Overview and Scrutiny ARP Review group,

helping with the Care and Repair DFG grants scheme which was a request of the County Council as well as work in connection with the National Fraud Initiative

Kathy Woodward informed members that a positive audit report has been received from the DVLA regarding works carried out in conjunction with the councils abandoned vehicle process.

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

- Councillor Clark stated that he is very pleased that the Audit Team will be receiving an additional resource and it provides an excellent opportunity for somebody to undertake the role.
- Councillor Booth congratulated Kathy Woodward for her work regarding the restructure of the Audit Team and added that it will be important to ensure the new starter once trained is retained in post going forward.
- Councillor Booth referred to the report and highlighted the recommendations at Appendix A and stated that there are three reports with medium recommendations but there are no themes shown or any detail in the boxes. Kathy Woodward explained that the audits shown are those which are conducted by our partner authorities from ARP and the reason there have been no themes added is because there are so many but she agreed to provide a summary of those recommendations and what they relate to, outside of this report due to the number. Councillor Booth stated that he agrees with that information and would welcome the detail.
- Councillor Booth referred to 3.4 of the report and questioned whether we are content with the prioritisation given to the next tranche of areas to be reviewed. Kathy Woodward stated that of those listed in 3.4, two of them are financial system audits which are always deemed as high risk, waste and recycling is also a high risk area and has to be audited every two years, CCTV and Street Scene Enforcement are on the list due to the significant changes in operational models which occurred last year and the Traveller Site Rents and Repairs and income Debt Management Review are overdue audits from last year. Kathy Woodward explained that the other area of high risk is payroll which is always looked at after Christmas.
- Councillor Wicks complimented Kathy Woodward for the work, which was carried out for the ARP Review Group, as it was very beneficial.
- Councillor Wicks asked whether the changes that took place regarding the CCTV partnership working with Peterborough will have an impact on the level of work required. Kathy Woodward explained that it will increase the work in terms of background research and making sure all areas are covered but there is a template model in place, and the amount of time allocated has been increased in the plan by 2 days to cover that work.
- Peter Catchpole explained that he had met with Kathy, as he had concerns as to whether we would be able to carry out sufficient audit work in order for her to be able to give an audit opinion at the next year end, which is important for both internal and external purposes and Kathy has provided that assurance that this will be achievable.

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

CGC18/20 CORPORATE GOVERNANCE COMMITTEE FUTURE WORK PLAN

Members considered the Corporate Governance Committee future work plan presented by Peter Catchpole.

He explained to members that following a discussion with Kathy Woodward, he felt that it would be helpful to provide to members with an outline of topics to be covered by the committee. He explained that the subjects have been spread out over the course of the next few Corporate

Governance Committee meetings and it is also proposed that during those meetings there could be some training sessions included, if members felt that there would be any relevant areas on which they would like to receive training. Peter Catchpole explained that the Action Plan has also been included which contains actions from meetings as well.

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

- Councillor Booth asked whether the work plan could show a rolling year, rather than the municipal year. Peter Catchpole agreed to amend the work plan to reflect this.
- Councillor John Clark highlighted that he would like to see a review of the Investment Board included within the work plan and asked whether it is prudent for the Committee to review the Board. Peter Catchpole added that the governance issues surrounding the Investment Board will be factored into part of Kathy Woodward's audit work. Councillor John Clark asked where that work will be factored into the work plan and Peter Catchpole added that it will be included in 2020/21.
- Councillor John Clark highlighted the issue of training and asked whether there could be a date set for training. Kathy Woodward agreed that it would be prudent for a date to be set and explained that relevant training sessions could be included to reflect the topics being covered in meetings. She added that members need to indicate the type of training they wish to receive and then the delivery of that training can be investigated.
- Councillor Mrs French expressed the view that training would be beneficial and should be discussed outside of today's meeting, with suggestions brought back to the next meeting of Corporate Governance.

Corporate Governance Committee agreed to note the contents of the Future Work Plan.

CGC19/20 ITEMS OF TOPICAL INTEREST

There were no items of topical interest to discuss.

2.31 pm

Chairman

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STAFF COMMITTEE



THURSDAY, 10 DECEMBER 2020 - 4.30 PM

PRESENT: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor C Boden, Councillor M Cornwell, Councillor Mrs J French and Councillor R Wicks

APOLOGIES: Councillor F Yeulett

Officers in attendance: Carol Pilson (Corporate Director and Monitoring Officer) Sam Anthony (Head of HR and OD) and Jamie Hemming (Harbour Master)

S7/20 PREVIOUS MINUTES

The public minutes of the meeting held on 21 September 2020, were agreed.

S8/20 CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 21 September 2020, were agreed.

S9/20 CONFIDENTIAL ITEM - PROPOSED RESTRUCTURE OF PORT AND MARINE SERVICES TEAM


Members considered the proposed restructure of the Port and Marine Services Team confidential report presented by Carol Pilson.

Staff Committee noted the information within the report and AGREED to approve the revised structure for the Port and Marine Service area.

4.44 pm

Chairman

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Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	1 February 2021	
Report Title:	Internal Audit Plan 2020-21 Progress Report Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2020-21 for the period 01 April 2020 including planned work until 31 December 2020 and the resulting level of assurance. To provide an update to members on the resourcing issues of the internal audit team.

2 Key issues

- The Council's Internal Audit plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.
- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Performance Standard 2060 of the PSIAS requires the Audit Manager to report to the Committee on the internal audit activity and performance relative to this plan.
- Corporate Governance Committee approved the Internal Audit Plan 2020-21 on 17th August 2020. This audit plan covered the last 6 months of the year as a result of reduced capacity and redeployments required by the council to enable emergency response to the Covid-19 pandemic.
- Since the approval of the audit plan, there have been further periods of national lockdown and further redeployments have taken place to assist the council in dealing with its emergency response to the pandemic.
- In a standard year completion of the audit plan is required to allow the Internal Audit Manager to produce an annual opinion on the systems of internal control, risk management and governance processes.
- Members of the Corporate Governance Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.

- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the audit activity which has successfully taken place and the associated assurance level.
- This update will also provide assurance on how an annual audit opinion can be provided as a result of the unprecedented circumstances and challenges presented because of the Covid-19 pandemic.

3 Recommendations

- For Members of Audit and Risk Management Committee to consider and note the activity and performance of the internal audit function.
- For Members of the Audit and Risk Management Committee to note the update in relation to providing an annual audit opinion for 2020/21.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Chris Boden – Leader of the Council
Report Originator(s)	Kathy Woodward – Shared Internal Audit Manager
Contact Officer(s)	Kathy Woodward - Shared Internal Audit Manager kwoodward@fenland.gov.uk 01354 622230 Peter Catchpole - Corporate Director & CFO pcatchpole@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2020-21 Internal Audit Outturn and Quality Assurance Review 2019-20 CIPFA Guidance – Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2020 to 31 December 2020. As detailed in the audit plan presented to the committee in August 2020, the Council's emergency response to the Covid-19 pandemic had a significant impact on the work of internal audit and as a result work on this year's plan only commenced at the beginning of September 2020.
- 1.2 Further national restrictions and a period of lockdown throughout November 2020 has again impacted on the work of the internal audit team through reduced capacity and redeployments to assist in the council's response to the pandemic. It is likely that this reduction in capacity will be in place until the end of the financial year.
- 1.3 The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur due to, for example: -
- introduction of new legislation/regulations,
 - changes of staff,
 - changes in software,
 - changes in procedures and processes,
 - changes in service demand,
- 1.4 In addition to the Covid-19 pandemic that has impacted upon the work of internal audit, the team also has a vacancy that has not yet been filled and new staffing proposals have been presented to Staff Committee
- 1.5 This report will also seek to reassure members of the committee of how the reduced capacity of the internal audit function can provide enough assurance to complete an annual audit opinion on the systems of internal control, risk management and governance processes that will form part of the Annual Governance Statement.

2 Staffing Update

- 2.1 The restructure proposals presented to Staff Committee in September 2020 are outlined below:
- Reinstatement of the Internal Audit Manager to a full-time post.
 - Appointment of a full-time apprentice internal auditor.
 - Retention of the existing part time internal auditor.
- 2.2 We have successfully recruited an apprentice internal auditor, who will commence employment in February 2021. Over a full year this should provide an additional 56 audit days, while the apprentice is training, and a further 50 days once qualified.
- 2.3 The current S113 and Memorandum of understanding between Fenland District Council and King's Lynn and West Norfolk borough Council has been terminated and the Internal Audit Manager will revert to full time from 31 May 2021.

3 Monitoring

- 3.1 As the 'normal' work of the internal audit function on delivering the audit plan only commenced in September 2020, there is only limited results that are available for the Committee at this time, which are detailed below.
- 3.2 On completion of each audit a formal report is issued to the relevant Service Manager and Corporate Director. A copy is also sent to the Corporate Director – Finance (S151 Officer). Each report contains a management action plan, with target dates, that have been agreed with managers to address any observations and recommendations raised by the Internal Auditor. Progress on recommendations is monitored on a quarterly basis.
- 3.3 The following audits have been completed during 2020-21. (Appendix A)
- Licences – Environmental (19/20)
 - Payroll (19/20)
 - ARP Enforcement (19/20)
 - Business Rates * (19/20)
 - Council Tax * (19/20)
 - Overpayments * (19/20)
 - Housing Benefits * (19/20)
 - Trading Operations – Estates (19/20)
 - Trading Operations – Markets (19/20)
 - Street Scene Enforcement
- 3.4 The following audits are currently ongoing and will be reported to the committee in future progress reports:
- Travellers Sites Rents and Repairs
 - Cash and Treasury Management
 - Income / Debt Management Review
 - Corporate Finance – Management Accounting Systems
 - CCTV
 - Waste and Recycling credits
 - Covid-19 Business Grants
- 3.5 During the year other work that the internal audit team have been redeployed to assist with and to provide additional assurance are detailed below:
- Covid-19 Business Grants
 - Covid-19 Discretionary Business Grants
 - Community Hub support, advice, and guidance
 - Covid-19 Test and Trace Isolation payments
- 3.6 Other assurance work that the internal audit team have been delivering are detailed below:
- Overview and Scrutiny ARP review group
 - Care and Repair Disabled Facilities Grants declaration
 - National Fraud Initiative work – National Exercise, Council Tax and Elections Exercise and Covid-19 Business Grants Exercise

- Grant Funded Projects Group
- Risk Management Group
- My Fenland project group overview
- Covid-19 Emergency Project Group overview
- Decarbonisation Funding Bid review and grant award declaration
- Business Grants – Post Payment Assurance planning and review

3.6 Other assurances provided to FDC from external organisations:

- DVLA audit of FDC for abandoned car searches on the Web Enabled System (WEE) - **Green** assurance received.
- Independent Designated Person Port Marine Safety Code audit – **96.12%** conformity with achievable measures.

4 Annual Audit Opinion

4.1 The Internal Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme.

4.2 CIPFA have issued guidance to Local Authorities: Head of Internal Audit Annual Opinion: Addressing the Risk of a Limitation of Scope, to directly address the impact of Covid-19 and whether audit teams will be able to undertake sufficient work to gain assurance during 2020/21.

4.3 The key requirements that heads of internal audit (HIA), leadership teams and audit committees should follow are set out below.

1. The HIA should plan to obtain sufficient assurance to support the annual opinion, taking into account both internal audit work and other sources of assurance. The reliance the HIA is placing on other sources of assurance should be disclosed in the overall opinion.
2. The HIA, leadership team and audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.
3. The HIA should make best use of their audit resources to maximise assurance.
4. Where the HIA considers that a limitation of scope is likely, the leadership team and audit committee should be advised promptly. The HIA should set out the likely consequences assessed and advise on remedial action to avoid a limitation of scope.
5. The HIA annual report should contain a clear explanation of any limitation of scope along with its causes and plans to address the situation going forward.
6. Where the HIA annual report and opinion contains a limitation of scope the authority should state this in the annual governance statement.

4.4 The factors impacting on the availability of assurance from internal audit and other sources of assurance include:

- the changing risks and impacts on the organisation itself
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- changes to the resource base of internal audit, whether staff or budget related demands on internal audit for any advisory or non-audit support that will not directly support the HIA opinion
- operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs

Where an organisation has adopted a comprehensive assurance framework then this may be used by the HIA to support the opinion.

4.5 In addition to the information detailed above, the annual audit opinion must also demonstrate compliance with the PSIAS. Performance Standard 2100 - Nature of Work details how the work of Internal Audit can contribute to the Annual Audit Opinion:

- 2110 Governance – Assess and make recommendations to improve organisations governance processes
- 2120 Risk Management – Evaluate the effectiveness and contribute to the improvement of Risk Management processes
- 2130 Control – Assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement

4.6 Considering all the factors detailed above, the following measures have been incorporated to provide additional assurance to support the Internal Audit Manager's Annual Audit Opinion in 2020/21:

- Governance
 - Internal Audit presence/oversight at all major project groups, including Corporate Investment Board, My Fenland, Covid-19 Emergency response, Management Team etc.
 - Review of lessons learnt from these projects.
 - Assurance Framework Mapping – seeking further assurances by using themes outlined in the assurance map (Appendix B).
- Risk Management
 - Internal Audit Manger continued membership of the Risk Management group, providing oversight and assurance.
 - Follow up review of Risk Management Audit ensuring actions to improve process have been implemented.
 - Raising awareness of risk management issues at project groups and operational / strategic level support.
 - Other sources of assurance to be incorporated include, update of Health and Safety risk assessments for ensuring Covid-19 secure workplace and practices, updated home working risk assessments, continued update of Business Continuity plans.
- Control
 - Streamlining audit processes to increase capacity.
 - Narrowing the focus of audit scopes to examine only key risks.

- Prioritising assurance and advisory work that supports the annual audit opinion.
- Increase focus on follow up reviews from 2018/19 and 2019/20 to ensure controls and actions have been implemented and are effective.
- Providing support to the Council's response to Covid-19 through participating in Business Grant Group scheme development and providing oversight to the implementation of these schemes.
- Post payment assurance work on Business Grants.
- Other assurances provided from external providers.

4.7 Limitation of scope arises where the Internal Audit Manager is unable to draw on sufficient assurance to issue a complete annual opinion. This is different to issuing an adverse opinion where sufficient work has been completed, but concludes that the arrangements are not adequate and effective

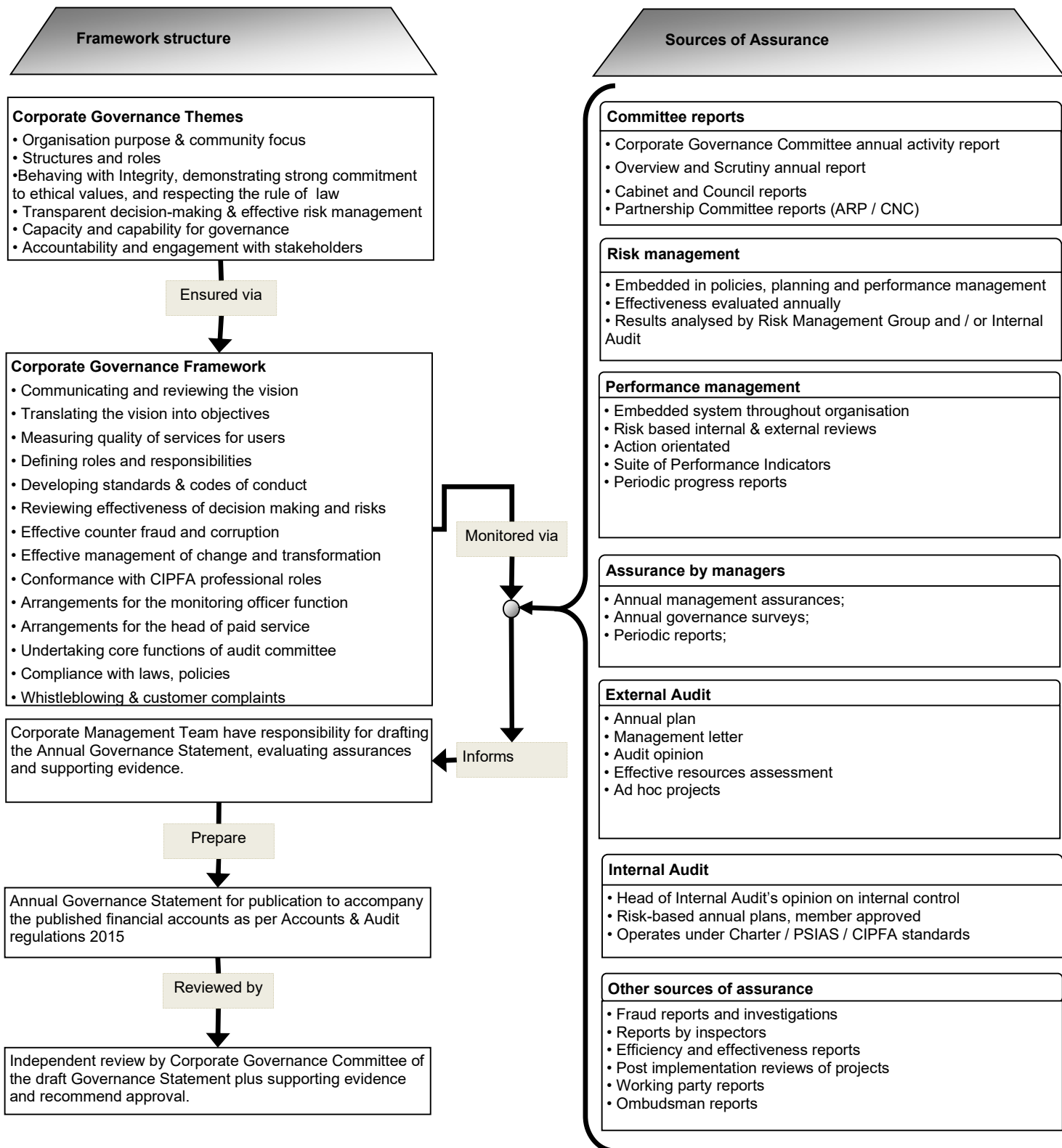
4.8 Through the work already achieved by the internal audit team as detailed in section 3 of this report and using the alternative sources of assurance highlighted in section 4, sufficient assurance can be achieved this year to deliver an annual audit opinion without the need to issue a limitation of scope for any of the areas covered in the annual opinion.

Appendix A: Audits completed

Audit	Overall opinion	Recommendations			Recommendation Theme
		High	Medium	Low	
Payroll (19/20)	Substantial	-	-	-	
Anglia Revenues Partnership – Enforcement (19/20)	Substantial	-	2	1	Communication Channels, Reconciliations
<i>Business Rates (19/20)</i>	<i>Adequate</i>	-	7	6	
<i>Council Tax (19/20)</i>	<i>Adequate</i>	-	8	3	
<i>Overpayments (19/20)</i>	<i>Adequate</i>	-	3	3	
<i>Housing Benefits (19/20)</i>	<i>Adequate</i>	-	10	6	
Trading Operations Estates (19/20)	Adequate		3	-	Transparency, Policy and Process
Trading Operations – Markets (19/20)	Substantial	-	-	-	
Licences – Environmental 19/20)	Adequate	-	5	2	Procedural, Financial, Guidance
Street Scene Enforcement	Adequate	-	1	-	Service Delivery

* Audits conducted by ARP partner authorities

Appendix B: Assurance Map



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Agenda Item No:	8	
Committee:	Audit and Risk Management Committee	
Date:	01 February 2021	
Report Title:	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22	

1 Purpose / Summary

The purpose of this report is to provide Members with information on the proposed Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2021/22.

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 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 31/03/20) 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 2020/21 is £496,710 and the estimate for 2021/22 is £530,500. Additionally if the authority were to immediately borrow the full £25M to fund schemes taken forward as part of the Commercial and Investment Strategy this would currently attract annual interest payments of £287,000.
- Bank rate is expected to remain unchanged at 0.10% throughout the period of this strategy.
- The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2024.
- 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 £55,000 for 2020/21 and £40,000 for 2021/2022. The Council is anticipating that if market conditions improve as

expected it should be possible for the Council to invest in property funds during the 2021/22 financial year. The Medium Term Financial Strategy presented to Cabinet on 14 December 2020 incorporated an estimate that such an investment would yield a return of £150,000 in 2021/22 rising to £250,000 per year in subsequent years.

- The Council's Capital Strategy is currently being updated to take account of the latest developments in respect of the Council's Commercial and Investment Strategy. The final version will be incorporated in the papers which Council considers at its meeting on 23 February 2021.

3 Recommendations

It is recommended that:-

- Audit and Risk Management Committee endorses the strategy detailed in this report to be included in the final budget report for 2021/22.

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 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 for 2021/22 is currently being finalised to take account of the latest position with regard to the Council's Commercial and Investment Strategy including reports considered at recent meetings of the Investment Board.

- 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 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. 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. In addition, on 25.11.20, the Chancellor announced a prohibition was to be introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme.
- 2.6 The Council's Commercial and Investment Strategy was approved in January 2020. At its meeting on 20 February 2020 Council approved the allocation of £25M for the purpose of taking forward schemes linked to the Commercial and Investment Strategy. This allocation continues to be reflected in the Council's capital programme and the Council's plan is to fund the allocation from a combination of reserves and external borrowing. 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 Fenland Future Limited, the Council's wholly-owned Trading Company.
- 2.7 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.
- 2.8 Section 4 of the Council's 2020/21 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 Audit and Risk Management 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 the Audit and Risk Management 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 2021/22 to 2023/24

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	2020/21 Revised Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Forecast Capital Expenditure	5,913	8,339	1,563	1,535
Commercial and Investment Strategy Schemes	0	10,000	10,000	5,000
TOTAL	5,913	18,339	11,563	6,535
Financed by:				
Capital Grants	3,527	5,351	950	950
Capital Receipts	225	0	0	0
Reserves used in year to fund Capital	574	387	0	0
Section 106 and Other Contributions	144	108	12	0
Total Financing	4,470	5,846	962	950
Net Financing Need For The Year (Borrowing)	1,443	12,493	10,601	5,585

- 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 over the next 3 years but no assumptions have been made regarding how MRP might reduce the CFR attributable to these schemes. This approach is considered reasonable until such time that any 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 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)	2020/21 Revised Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
CFR – as at 31 March				
Opening CFR	4,043	5,137	17,162	27,188
Movement in CFR	1,094	12,025	10,026	5,015
Closing CFR	5,137	17,162	27,188	32,203
Movement in CFR represented by				
Net financing need for the year	1,443	12,493	10,601	5,585
Less MRP and other Financing Movements	(349)	(468)	(575)	(570)
Movement in CFR	1,094	12,025	10,026	5,015

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 it can demonstrate that whatever approach they adopt across their asset base it is prudent. Given the Council's decision to adopt a Commercial and Investment Strategy it was necessary to revise the MRP policy last year (2020/21) 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 is as follows:

- (1) For unsupported borrowing (including finance leases) undertaken to fund the Council's capital programme, excluding any capital expenditure approved by the Council's Investment Board, MRP will be based on the estimated useful life of the assets to be purchased or acquired. Repayments made under the terms of finance leases shall be applied as MRP.
- (2) For Investment Properties purchased or constructed (following a decision taken by the Council's Investment Board) the MRP charge shall be based on the difference between the value of the asset and the value of any outstanding unsupported borrowing secured to fund the original purchase of the asset. A calculation shall be undertaken at the end of each financial year to identify the difference between the value of the asset and the amount borrowed. Where a difference exists MRP shall be charged over a period commensurate with the period the Council expects to hold the asset as set out in reports presented to the Investment Board.
- (3) For any loans made to third parties, including those made to the Local Authority Trading Company, no MRP shall be charged where the loan requirement requires the third party to make repayments on at least an annual basis over the life of the loan. In the unlikely event of the Council providing a maturity loan to a third party, MRP shall be charged in equal amounts over the life of the loan.
- (4) Should the Council acquire an equity stake in any third party, the MRP charge will be for the lower of twenty years or the scheduled completion date of any projects funded by the third party using the proceeds from selling an equity stake to the Council.
- (5) For investment in Property Funds which the Council, following consultation with its Treasury Advisors, assesses as meeting the definition of capital expenditure MRP shall be charged over the period the Council expects to hold the investment. The period over which MRP can be charged for this type of investment shall not be permitted to exceed 20 years.

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	2020/21 Revised Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Fund balances / reserves	10,562	6,069	5,834	5,834
Expected Cash investments	25,000	16,000	15,500	15,500

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	2020/21 Revised Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	%	%	%	%
General Fund (excluding Commercial and Investment Strategy Schemes)	7.01	8.48	9.23	9.00
Commercial and Investment Strategy Schemes (£25M allocation)	0	1.02	2.00	2.47
Total	7.01	9.50	11.23	11.47
Net Revenue Stream	£11.285m	£11.296m	£11.480m	£11.642m

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 2020 for borrowing and investments was £8.206m and £18.3m respectively. As of 31 December 2020, investments are £25.350m (see Appendix A attached) and borrowing £8.135m.
- 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).

	2020/21 Revised Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt at 1 April	7,800	7,800	21,060	30,775
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	0	3,260	(285)	(285)
Borrowing to fund Commercial and Investment Strategy Schemes	0	10,000	10,000	5,000
Other long term liabilities (OLTL)	406	243	106	23
Expected change in OLTL	(163)	(137)	(83)	(23)
Actual gross debt at 31 March	8,043	21,166	30,798	35,490
Capital financing requirement (CFR) at 31 March	5,137	17,162	27,188	32,203
Borrowing less CFR – 31 March	2,906	4,004	3,610	3,287

- 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 2021/22 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.
- 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 (31/03/20) currently attracting excessive premiums (£3.09m at the time of writing this report), if it were prematurely repaid and the fixed rate market loan of £3.3m (31/03/2020), 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 and borrowing was undertaken over 3 years (£10m in both 2021/22, 2022/23 and £5m in 2023/24) funded by a maturity loan at today's rate.

YEARS	INTEREST DUE (EXISTING CAPITAL SCHEMES) £000	INTEREST DUE (FUNDING OF COMMERCIAL AND INVESTMENT STRATEGY) £000	TOTAL £000
2020/21	497	0	497
2021/22	531	115	646
2022/23	524	230	754
2023/24	517	287	804

- 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	2020/21 Revised Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 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	2020/21 Revised Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 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 Group Interest Rate View		9.11.20											
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

- 9.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged.
- 9.3 Gilt yields/PWLB rates. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very 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. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 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.
- 9.4 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in

financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

- 9.5 As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. 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, (as shown on 9th November 2020 when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.
- 9.6 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.
- 9.7 On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme.
- 9.8 Borrowing for capital expenditure. As Link’s long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable.
- 9.9 While this authority will not be able to avoid borrowing to finance new capital expenditure and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

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 20/21 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 fund 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, though this does not preclude the Council considering other sources of lending.
- 10.5 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2024. 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.
- 10.6 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 document).
- 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 Bank rate is expected to remain unchanged at 0.10% throughout the period of this strategy and consequently budgeted investment earning rates for returns on investments placed for periods of up to about three months are not expected to exceed the bank rate.

12.13 Estimated investment income is £55,000 for 2020/21 and then £40,000 for all future years. These estimates assume that none of the existing cash balances held by the Authority will be utilised to fund schemes approved by the Investment Board.

12.14 **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.

	2021/22 £000	2022/23 £000	2023/24 £000
Maximum principal sums invested > 365 days	10,000	10,000	10,000

12.15 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.

12.16 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.

TEMPORARY INVESTMENTS AS AT 31/12/2020

BORROWER	AMOUNT £000	START DATE	MATURITY DATE	PERIOD IN DAYS	CURRENT INTEREST RATE %
Barclays Bank*	5,350	16/06/14		Flexible Interest	0.05
Santander UK	5,000	15/12/15		180 Day Notice A/C	0.58
Lloyds Bank	5,000	16/12/19		32 Day Notice A/C	0.05
Leeds Building Society	5,000	18/11/20	25/02/21	99	0.055
Watford Borough Council	2,000	22/12/20	21/01/21	30	0.01
Skipton Building Society	3,000	23/12/20	21/01/21	29	0.01
Total Investments at 31/12/2020	<u>25,350</u>				

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

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Agenda Item No:	9	
Committee:	Audit and Risk Management Committee	
Date:	1 February 2021	
Report Title:	Corporate Risk Register review	

1 Purpose / Summary

- To provide an update to the Audit and Risk Management 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.
- The previous 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 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, additional actions taken to mitigate the impact of the Covid-19 pandemic situation have been incorporated into the Risk Register.
- 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 The register also includes some narrative around the Risk Management Process (at section 2); the Monitoring and Escalation Framework (at section 4); the Risk Appetite and tolerance levels; and a heat map showing all the residual risks at page 28.

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 2021**



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

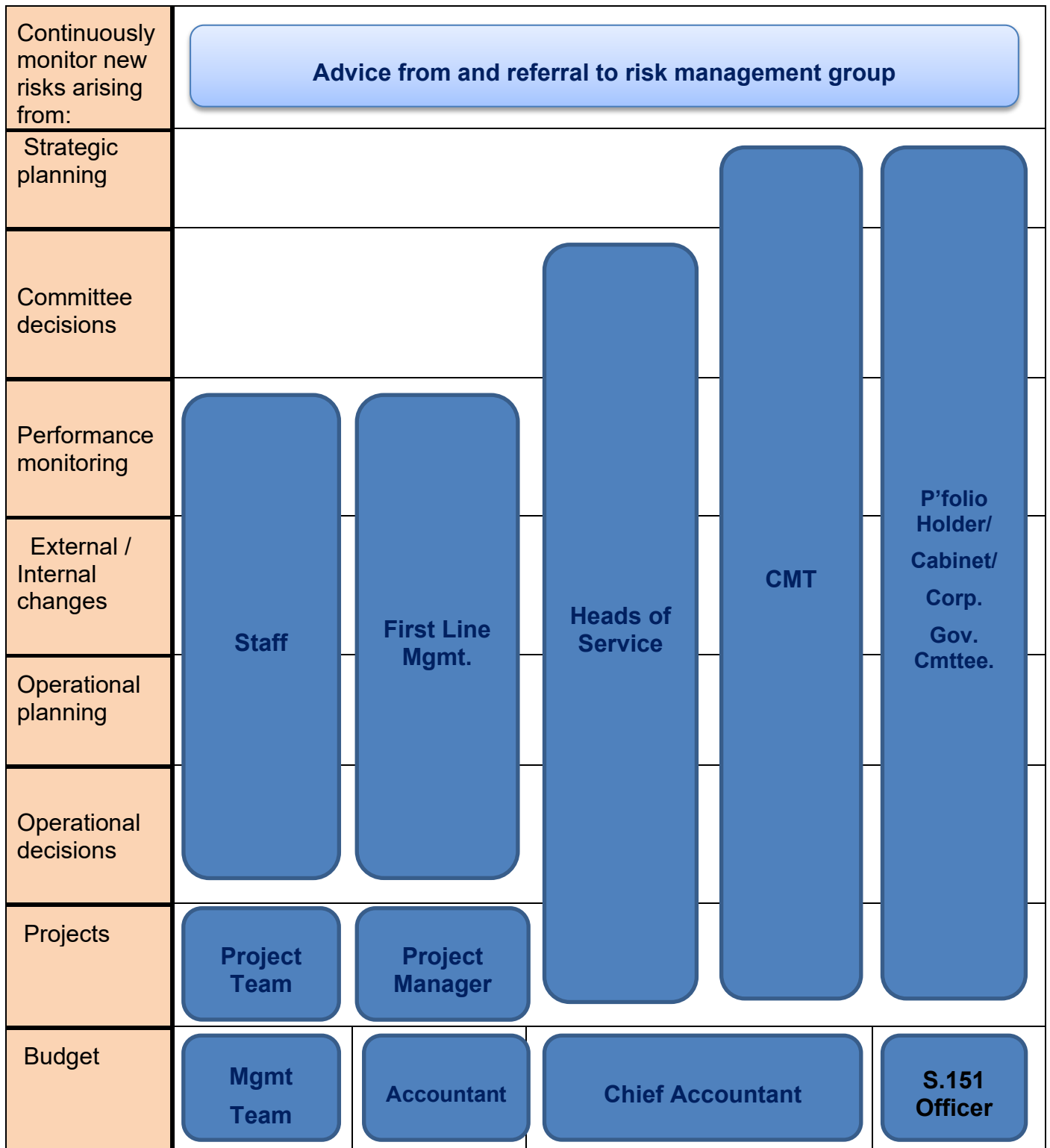
IMPACT x LIKELIHOOD = RISK SCORE

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	16
2	Brexit	5	5	25	2	3	6	25
3	Failure of contractors and suppliers working on the Council's behalf	4	4	16	4	4	16	10
4	Failure of IT systems	5	5	25	4	3	12	12
5	Insufficient staff to provide Council services	4	5	20	2	3	6	26
6	Breach of ICT security causes loss of service	5	5	25	4	3	12	13
7	Lack of access to Council premises prevents services being delivered	5	5	25	2	3	6	27
8	Funding changes make Council unsustainable	5	5	25	4	4	16	9
9	The Council's ability to cope with a natural disaster	5	5	25	4	5	20	8
10	Major health and safety incident	4	4	16	3	3	9	17
11	Fraud and error committed against the Council	5	4	20	3	3	9	14
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	18
16	Service provision affected by organisational change	4	5	20	3	4	12	15
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			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
9	<p>Risk:- The Council's ability to cope with a natural disaster, including a Pandemic</p> <p>Effects:- Natural disaster; malicious or accidental incident affects support required by civilians or disrupts existing Council services.</p>	5	5	25	<ul style="list-style-type: none"> • Emergency plan • Emergency planning exercises beyond the district • Business continuity plans • Regular exercise and joint public sector workshops for Emergency Planning • Emergency Planning Communication s Strategy • Review of approach with partner organisations as a result of lessons learned from 'near miss' flood events. • Local Resilience Forum 	4	5	20	CMT	<ul style="list-style-type: none"> • Regularly test Emergency Plan • Test Service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Ongoing management response group and regular conference call and action planning • The risk assessments for all Council buildings have been reviewed and updated as a result of Covid-19, and all work places are Covid secure. • 60% of staff are home-work enabled, and all services have split into 'bubbles' to maintain resilience and business continuity 	<p>The likelihood rating has been revised and increased for this risk in light of the ongoing and severe pandemic situation.</p> <p>Management Team conduct periodical exercise to test the Councils readiness for an emergency.</p> <p>The Council's Emergency Management and Rest Centre Plans have been updated. We have increased and trained the number of volunteer rest centre staff available.</p> <p>The Council will retain the use of each of the four Leisure Centres for rest centre sites.</p> <p>The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of an emergency.</p> <p>The Council's response to any emergency situation will complement and support the coordinated CPLRF and Public Sector response to any such incident.</p> <p>CPLRF are leading on the County's response to the current pandemic and key senior staff attend regular multi-agency briefing and planning meetings.</p> <p>Virtual meetings for Elected Members, the public and staff have been implemented to enable Council business to be maintained</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
8	<p>Risk: - Funding changes make Council unsustainable</p> <p>Effects: - Economic changes, imposed savings requirements, changes to local government funding systems, uncertainties of pilot pension fund.</p> <p>Financial Mgt of NNDR, CTS leads to change in income /spending making Council unsustainable.</p>	5	5	25	<ul style="list-style-type: none"> • S151/ Chief Finance Officer • Financial Regulations & Standing Orders • Appropriately trained staff • MTFS • Professional economic forecasts • Community consultation on service priorities • Our Council for the Future programme • Political decisions linked to budget strategies • CMT efficiency planning • The My Fenland Transformation Programme • Executive steer of service /capital priorities. • Review fees /changes. • Reserves • Financial Mgt System • Budget monitoring. 	4	4	16	Peter Catchpole	<ul style="list-style-type: none"> • Using intelligence to model and plan for future changes and risks and move away from reliance on Govt funding to balance our budget. • Regular monitoring of current position and reporting to Members. • Workforce planning covers all scenarios. • Inclusion in national working groups, modelling and lobbying for funding system after RSG ceases. • Sharing Council's Efficiency Plan with the Government allows guaranteed multi-year grant settlement raising funding certainty. • Shared services and partnership working Pursuing all opportunities for external funding 	<p>The likelihood rating has been revised and increased for this risk in light of the ongoing and severe pandemic situation.</p> <p>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.</p> <p>The Fair Funding Review and Business rate Retention Scheme have been delayed due to the Pandemic; 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.</p> <p>The Council now has an agreed Commercialisation and Investment Strategy which will enable the Council to generate additional income.</p> <p>Each service is required to review and identify any opportunities for transformation, commercialisation and efficiency.</p> <p>The Council is currently implementing Phase 2 of the 'My Fenland' transformation programme, which is on target to deliver significant savings over the Council's current MTSP period.</p> <p>The Council's income has been significantly impacted by the pandemic, with Council Tax, Business Rates income, and most other income streams reduced. The Council has received Government funding to address these deficits in some areas, but there is a likelihood that there will be an additional adverse impact on the Council's financial deficit</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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3	<p>Risk: - Failure of contractors and suppliers working on the Council's behalf, including the impact of the Pandemic</p> <p>Effects: - Failure of contractor or partners to deliver services or meet agreed performance objectives leads to additional costs or failed objectives.</p>	4	4	16	<ul style="list-style-type: none"> • Procurement processes – including financial aspects/ contract standing orders/ equality standards • Contract process – creation of robust contracts • Accountability and risk ownership documented • Service Level Agreements • Contract monitoring • Trained/skilled staff • Project management • Relationship Management • Business Continuity Plans 	4	4	16	CMT	<ul style="list-style-type: none"> • Regular monitoring of contracts and performance by Managers. • Ensure that contracts have risk registers and mitigation in event of contract failure. • Ensure all contractors have reviewed and refreshed their business continuity arrangements and plans in light of the pandemic • Individual Council services share their own contingency to cover for contractor failure, and this is part of the Business Continuity Plan for each Service Area. • Potential contractors are always checked for financial stability by the Accountancy team before contracts are let. 	<p>FDC's Contract Manager manages/monitors the performance of the main Grounds Maintenance contract and the Leisure Service contract.</p> <p>All other shared services/contracts have a full review and governance process in place to ensure ongoing delivery and performance standards.</p> <p>When the Leisure service was outsourced in December 2018, the contact includes the requirement for contingency in case of service failure. Covid-19 has had a profound impact on the leisure industry, including impacting on Freedom Leisure. FDC has supported the contract (according to the terms of the contract) during the lockdown period FDC will carefully monitor Freedom Leisure's financial robustness and its ability to continue to trade as facilities reopen. This monitoring includes maintaining contact with other Freedom contracted Councils, working with the LGA and working with independent industry consultants and Sport England.</p> <p>The likelihood rating has been revised and reduced given the mitigation in place and the established nature of the contracts.</p> <p>The Council is actively considering the additional risk of the failure of printing organisations (due to the current pandemic) in relation to the forthcoming election process and increased requirement for postal votes and are liaising with a number of key stakeholders to ensure requirements can be met.</p>

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17	<p>Risk:- Political changes in national priorities</p> <p>Effects:- Changes in national political priorities may result in immediate changes that require additional resource to achieve and fail to reflect priorities determined by consultation.</p>	5	4	20	<ul style="list-style-type: none"> Financial & workforce planning Monitoring by CMT and resultant Cabinet reports Clear corporate planning and regular performance monitoring Effective service & financial planning Respond to national consultation on key policy changes Membership of LGA as a Council Outside Body 	3	4	12	Paul Medd	<ul style="list-style-type: none"> Understanding and acting on intelligence from LGA, CIPFA and other local government sources. Resources identified, approved and implemented without delay. Constant monitoring Horizon scanning via professional bodies Joint/collaborative working 	<p>The likelihood of legislative change remains high due to the current ongoing pandemic situation, and as a result of Brexit, albeit that Brexit itself has been identified as a risk to the Council. (see reference number 2)</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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4	<p>Risk: - Failure of IT systems</p> <p>Effects: - Failure to secure and manage data leads to loss of/ corruption of / inaccuracy of data, results in disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.</p>	5	5	25	<ul style="list-style-type: none"> • Data protection policy and procedure • Freedom of Information publication scheme • Data retention policy and procedure for archive and disposal • Information breach response plan • Monitoring Officer role comprises Senior Information Risk Officer function • Business continuity plans • ICT system security • Public Services Network compliance • Paperless office project • Countywide information sharing framework 	4	3	12	Carol Pilson / Peter Catchpole	<ul style="list-style-type: none"> • Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Regular review of business continuity plans • Disaster Recovery testing is undertaken at regular intervals • Additional ICT resource is being recruited • 	<p>An additional internet feed to Fenland Hall has been installed to improve resilience.</p> <p>The likelihood score has been reviewed and increased due to the increase globally of cyber crime</p> <p>The Council's internet and email protocols have been updated.</p> <p>All Council employees are undertaking Cyber security training</p> <p>As a result of the Covid-19 pandemic, 60% of staff have been home-work enabled, which has proved the resilience of the Council's ICT infrastructure</p>

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

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11	<p>Risk: - Fraud and error committed against the Council</p> <p>Effects: - Potential for fraud, corruption, malpractice or error, by internal or external threats. In addition to immediate financial loss, this could harm reputation and lead to additional inquiry costs and penalties.</p>	5	4	20	<ul style="list-style-type: none"> • Anti-fraud & corruption policy/ strategy • Financial Regulations / Standing Ord • Codes of conduct • Appropriately trained staff • Appropriate culture and risk awareness • Segregation of duties • Supported financial mgt system • Budget monitoring regime • Internal Audit review of sys /and controls • Bribery & corruption / fraud risk assessments • Indemnity insurance • Whistle-blowing procedure • Annual Governance Statement • ARP fraud resource • National Fraud Initiative 	3	4	12	Peter Catchpole / Carol Pilson	<ul style="list-style-type: none"> • Increase staff vigilance • Fraud awareness training for Managers • Raise profile internally and externally for successful prosecutions • Robust processes are in place in relation to the new Business Grants processes 	<p>The likelihood has been reviewed and increased due to the number of additional grants the Council is now administering as a result of the pandemic. The Council is working with the NFI on assurance.</p> <p>The Council has assisted with each annual National Fraud Initiative, cross-matching information with records held nationally.</p> <p>The Fraud team within the Anglia Revenues Partnership (ARP) continue to work on this area.</p> <p>The Council's Anti-Fraud and Corruption Strategy is currently being reviewed.</p> <p>A fraud awareness training programme for all staff is being finalised and is planned to be delivered virtually.</p> <p>The Council's ICT systems have also been reviewed and updated to provide better protection against potential fraud – please see risk 6 (Page 21)</p>

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

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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1	<p>Risk:- Legislative changes/ significant legal challenge</p> <p>Effects:- Changes arising from Central Government 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.</p> <p>Risk of GDPR breach and ICO sanction/fine</p> <p>Risk of administrative or other challenge in relation to the Council's overall governance/acts/omissions.</p>	5	5	25	<ul style="list-style-type: none"> Monitoring Officer Horizon scanning by Legal/CMT/Mgt Team Service Manager responsibilities Financial & workforce planning Membership of professional/ Local Govt bodies aids horizon scanning 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 Insurance 	2	5	10	Carol Pilson	<ul style="list-style-type: none"> Use intelligence to identify impending changes and their effects. Ensure staff trained and procedures changed. Use professional networking to identify best practice for responding to change. We respond to government consultations on changes to legislation or policy to influence its development. Operate in accordance with best practice. Seek specialist external legal advice where required. 	<p>Officers continue to horizon-scan for legislative changes and their effects.</p> <p>The Council has access to legal advice via the Chief Solicitor as well as through its links with external organisations such as EM Lawshare and PCC Legal. Specialist external advice will be sought in relation to complex/technically challenging matters as appropriate.</p> <p>The Council has compiled an Information Asset Register of all records it 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.</p> <p>The majority of information held by the Council is held with a legal basis for holding such as election and Council Tax records.</p> <p>All staff undergo GDPR training, and opportunities for further Member training in this area are currently being explored</p> <p>The Council now has a dedicated GDPR Officer, and each service is required to have a dedicated GDPR lead</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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10	<p>Risk: - Major health and safety incident</p> <p>Effects: - Major Health & Safety incident at Council leads to costs for inquiry, disruption to service and possible prosecution</p>	4	4	16	<ul style="list-style-type: none"> Health & Safety (H&S) Panel All service areas are represented at H&S Panel, and raise H&S issues as required H&S procedures – addressed at every service area H&S audits in all services Specialist H&S advisor Corporate wide H&S training Insurance Aligned Port Health and Safety arrangements Port Management Group and annual independent audit Robust sickness management processes 	3	3	9	CMT	<ul style="list-style-type: none"> Ensure health and safety is discussed at relevant team meetings. Ensure service updates are given at each H&S Panel meeting Ensure equipment inventory and inspections are up to date. Review Risk Assessments and Action Plans. Capture Port near misses and asses learning points Work with partners such as Lincs CC to manage risk associated with Port Operations including Crosskeys Bridge All high-risk areas have increased systems of management in place, e.g. the Port Safety Management Group 	<p>A thorough Health and Safety regime at the Council ensures that the residual risk remains carefully managed</p> <p>Programme of targeted health and safety refresher training is in place as per service specification.</p> <p>Health and Safety performance is monitored regularly, and accident statistics remain low.</p> <p>All site risk assessments have recently been fully reviewed and updated in light of the Covid-19 pandemic. Specific measures have been put in place to ensure all sites are 'Covid-19 Safe', and these are reviewed regularly.</p> <p>Flu jabs are being provided for employees</p> <p>In light of all the contingency measures being taken, the impact rating has been reviewed and revised.</p> <p>Ongoing feasibility work in ongoing in relation to emergency moorings near to Crosskeys Bridge.</p>

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15	<p>Risk:- Over-run of major Council projects in time or cost</p> <p>Effects: - Failure to manage projects effectively leads to overruns on time or cost and failure to achieve project aims. Reputational damage</p>	4	5	20	<ul style="list-style-type: none"> Project Management methodology Contract Standing Orders & Financial Regulations Service plans Budgetary control Management and Portfolio Holder oversight Forecasting Horizon scanning Amended ways of working; models have changed with remote working but remain effective. 	3	3	9	CMT	<ul style="list-style-type: none"> Robust project management. Effective risk registers for projects. All projects have a CMT sponsor with experienced management membership Project Management Board oversight Legal due diligence around Grant Agreements 	<p>The likelihood rating has been revised and increased for this risk in light of the ongoing and severe pandemic situation and the impact of this.</p> <p>Effective project management remains a Council priority.</p> <p>Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings.</p> <p>The impact of the pandemic has inevitably delayed the delivery of some projects (e.g. High Street, Wisbech), but this is factored into the revised project plans going forward.</p> <p>The Council is currently implementing Phase 2 of the 'My Fenland' transformation programme, which is on target to deliver significant savings over the Council's current MTSP period. – If this programme is delayed it is likely to impact on the savings projections</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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13	<p>Risk:- Failure of Governance in major partners or in the Council as a result of partnership working</p> <p>Effects:- Partnership governance not adopted or followed, leading to unachieved priorities and poor performance by major partner agencies:- Cambs and Peterborough Combined Authority, Anglia Revenues Partnership, CNC Building Control, Shared Planning, CCTV</p>	4	5	20	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Assurance that governance models correctly followed and in the Council's interests. • Support Members in governance of partnership bodies. • 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 	<p>The Annual Governance Statement being reported to Corporate Governance Committee shows the Council is in a strong governance position.</p> <p>Scrutiny of ARP and Planning takes place on an annual basis and Cabinet members sit on Boards to ensure the effective delivery of partnership arrangements such as CNC Board for building control.</p> <p>The Covid-19 pandemic continues to further our good relationships with countywide colleagues through the Covid response groups, the CPLRF etc., with opportunities for mutual aid being actively explored.</p> <p>The Council hve been given notice by Bedford Borough Council that they will not provide our Payroll service from April 2021. The Council has therefore looked al all potential options, and the least risk approach (and most cost effective) is to bring the service back in-house for a period of time. This process is currently being finalised.</p>

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14	<p>Risk:- Failure to achieve required savings targets</p> <p>Effects:- Failure to achieve efficiency saving, maximise income, or performance targets, results in greater than budgeted costs and potential risk of Council not being able to set a balanced budget.</p>	4	5	20	<ul style="list-style-type: none"> • Heightened analysis of budgets and services by CMT • Implement Service Transformation • Implement Procurement Strategy • Corporate plan • Pursue action to increase income streams • Performance Management Framework • Budget and performance monitoring • Robust Workforce planning • Project Management processes • Our Council for the Future programme • The My Fenland Transformation Programme 	3	3	9	CMT	<ul style="list-style-type: none"> • Robust control of corporate Transformation Plan. • Regular progress reports and assurance to Members. • Organisational and Service transformation programme • Commercialisation and Investment Strategy • Transformation and Recovery Plans 	<p>Delivery of Council Efficiency targets continue including delivering savings planned for in the Council's annual budget and medium term financial strategy.</p> <p>Cabinet have considered the Council's projected positive financial outturn position.</p> <p>The Council is currently implementing Phase 2 of the 'My Fenland' transformation programme, which is on target to deliver significant savings over the Council's current MTSP period.</p> <p>The Council's income has been significantly impacted by the pandemic, with Council Tax, Business Rates income, and most other income streams reduced. The Council has received Government funding to address these deficits in some areas, but there is a likelihood that there will be an additional adverse impact on the Council's financial deficit</p> <p>As part of the Council's Transformation Programme, the Council has recognised that this is an opportune time to commence a full Accommodation Review, which could contribute significantly to future savings requirements. The pandemic has seen around 60% of the Council's workforce successfully moved to remote working models. In addition to this, the Council has undertaken a conditions survey for Fenland Hall, which is likely to require some significant investment in terms of repair and remedial work.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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18	<p>Risk:- Capital funding strategy failure</p> <p>Effects:- Financial risks of capital funding shortfalls leading to increased burden to the Council. Potential for marginal deficit in capital program if future funding is not realised</p>	5	4	20	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Forward planning and horizon scanning. • Regular high level monitoring of direction of travel and mitigation required. • Asset Management Plan. • Asset disposal strategy 	<p>The Council's capital funding programme is regularly reviewed by Officers and by Cabinet.</p> <p>The current projected funding deficit will be met by borrowing and the relevant annual financing cost has been included in the Council's Medium Term Financial Plan.</p> <p>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.</p> <p>Reviews of the programme and resources available are carried out regularly during the year.</p>

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19	<p>Risk:- Poor communications with stakeholders</p> <p>Effects:- Poor communication with stakeholders and staff leads to poorly informed direction of resources and lack of support for change Reputational damage Staff turnover Increased sickness absence</p>	4	5	20	<ul style="list-style-type: none"> Internal and external regular publications Staff and management meetings Regular staff communication from the Chief Executive Key stakeholder networks for consultation Forums for perceived hard to reach groups Co-ordinated press releases Comments, Compliments and Complaints monitoring and reporting procedure Customer Service Excellence accreditation Consultation strategy MTSP 	3	3	9	Carol Pilson	<ul style="list-style-type: none"> 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 Use of social media communication mediums Fully updated website 	<p>The Council’s CSE performance is assessed each year by an external expert. The Council has a dedicated project team to ensure ongoing progress against CSE requirements/actions across all service areas to ensure consistent and effective communication to our customers.</p> <p>All change projects are supported by a robust project management approach, which includes a communication programme to ensure that stakeholders are fully informed.</p> <p>The ongoing Covid-19 pandemic had led to increased and improved communication mechanisms and methods</p>

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20	<p>Risk:- Commercial uncertainties associated with decisions taken as part of the Council's Commercial and Investment Strategy.</p> <p>Effects:- Reputational damage Financial loss Impact on services, staff and community</p>	5	4	20	<ul style="list-style-type: none"> • Robust oversight and governance arrangements • Expert professional advice • Robust budget management • Thorough project management and business cases process 	3	3	9	CMT	<ul style="list-style-type: none"> • All governance requirements have been put in place and will be robustly reviewed going forward • Fenland Future Ltd (FFL) has been constituted, with all appropriate governance requirements in place • Dedicated external expert resources are identified and procured to support where required 	<p>This new risk will be closely monitored to enable any new actions for mitigation to be identified and put in place.</p> <p>The Commercial and Investment Strategy has a scoring matrix to inform all potential investment opportunities, which are considered fully by the Investment Board before they are ratified.</p> <p>Full Business cases for all identified opportunities are taken to the Investment Board for consideration. This includes deciding on the delivery methodology. i.e. FDC or FFL and resource required to deliver each project.</p> <p>FFL's Business Plan is in the process of being produced and will need to be agreed and signed off by the Investment Board</p>

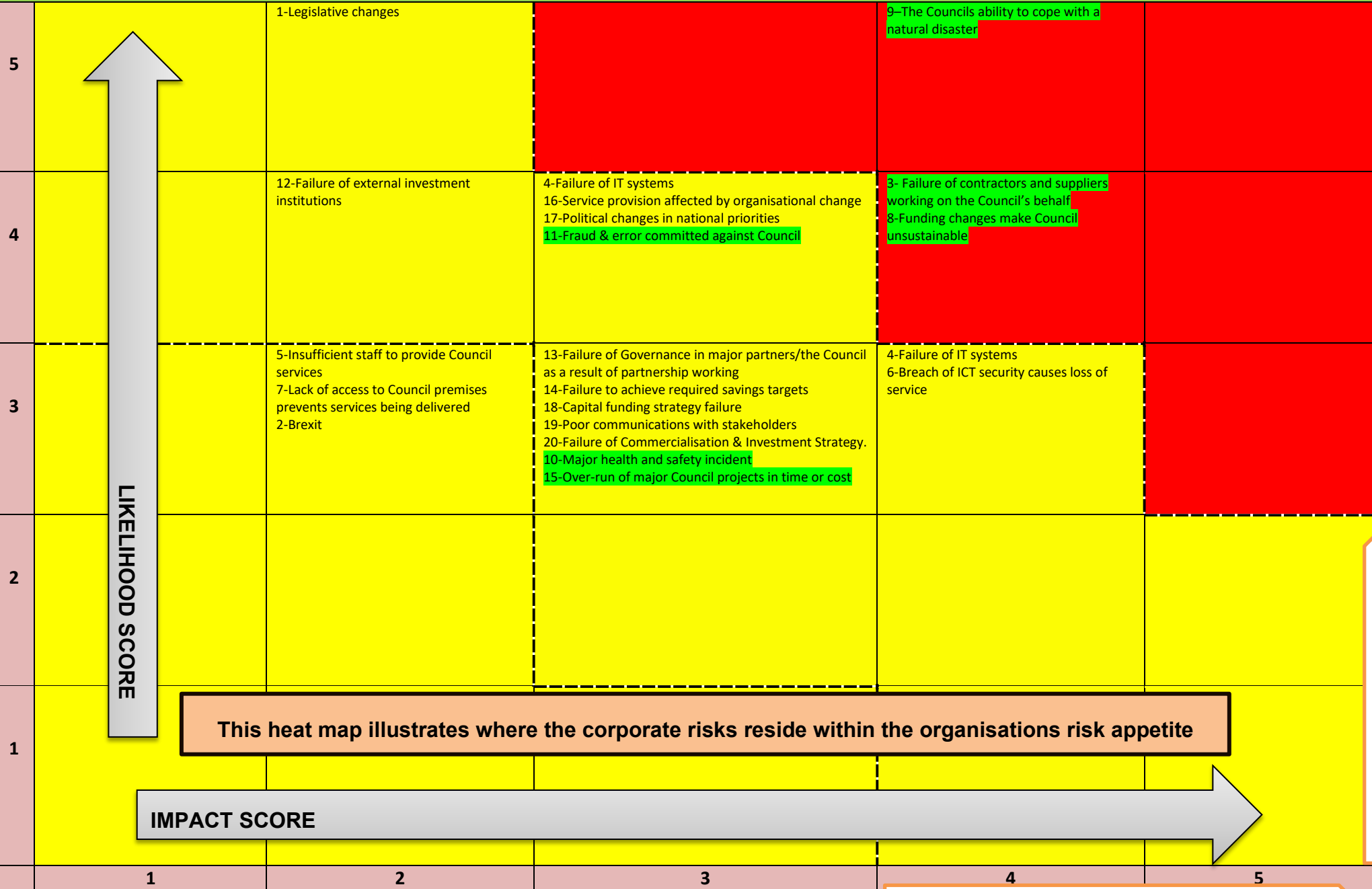
Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
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12	<p>Risk:- Failure of external investment institutions</p> <p>Effects:- Failure of external investment institutions affecting availability of funds or return on investment reducing cash flow and resource availability</p>	5	4	20	<ul style="list-style-type: none"> • Policy for maximum investment/ borrowing levels limits liability • Credit ratings • Financial management • Reserves • Insurance • Medium Term Financial Strategy • Treasury Management Strategy 	2	4	8	Peter Catchpole	<ul style="list-style-type: none"> • Effective Treasury Management strategy. • Robust auditing of processes and policies. 	<p>The Council's treasury management position is regularly reviewed and is currently showing a good position.</p> <p>The Treasury Management Strategy was considered is currently being reviewed.</p> <p>Updates are provided to Cabinet and Council on a half-yearly basis.</p>

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2	<p>Risk: - Brexit</p> <p>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.</p>	5	5	25	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. • 	<p>The Council has fully reviewed information on its workforce and the requirements for any EU workers; and has also liaised with all partners to ensure their preparedness in this area.</p> <p>The Council continues to monitor progress and take account of any effects on local government as they emerge.</p> <p>The Council has a Corporate Brexit Project group; and 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).</p> <p>The Council have also promoted Community awareness in this area by providing signposting information via Community Support teams.</p> <p>The UK has a six-month extension from the EU to enable compliance with Data Sharing requirement. As the UK undertakes a larger volume of surveillance that the rest of the EU, the UK is currently deemed as having a 'poor adequacy' rating by the EU. The Council is currently contacting our Data Providers to confirm all control measures in place and ascertain the next steps. This situation will continue to be monitored.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
5	<p>Risk:- Insufficient staff to provide Council services</p> <p>Insufficient leadership and/or management capacity to deliver Council priorities</p> <p>Effects:- Constraints to effective workforce planning lead to poor standards of service or disruption to service. Service transformation and commissioning can help build resilience but could also lead to a loss of qualified and knowledgeable staff, which exposes the council to risk of service failure and legal challenge.</p>	4	5	20	<ul style="list-style-type: none"> • Learning & Development framework / Training • Working environment /culture • Staff Committee • MTSP • Flexible working • Established suite of people policies & Procedures • Business continuity plans • Management training • 121s /Springboard staff development and appraisals • Service planning process • Access to interim staff via frameworks • Effective sickness management • Effective Governance structures 	2	3	6	CMT	<ul style="list-style-type: none"> • Ensure all services have effective Workforce plans incorporated into Service Plans, which ensure all work is prioritised • Effective succession planning. • Effective use of project management approaches/ principles when delivering priorities/ strategies 	<p>All services have published service plans, learning requirements and workforce plans to ensure teams are staffed according to current establishment and to take account of priorities and longer-term trends.</p> <p>All service Business Continuity Plans have been updated in light of the Covid-19 pandemic to ensure that key, priority and statutory services can be maintained in the event of a significant loss of staff through illness or absence.</p> <p>60% of the workforce have been home-work enabled, which will maintain the delivery of a significant number of Council services. Other key/priority services have individual Business Continuity measures in place to maintain service delivery.</p> <p>A mapping exercise of all key processes is being undertaken to automate and e-enable where possible to increase and further improve Council resilience.</p> <p>The Council is closely monitoring the resource requirement for the forthcoming elections process All vacancies are recruited to promptly where required and the selection process is being held virtually.</p>

Reference	Risk and effects	Risk if no action			Mitigation	Current risk			Risk Owner	Actions being taken to managing risk	Comments and progress of actions
		Impact	Likelihood	Score		Impact	Likelihood	Score			
7	<p>Risk:- Lack of access to Council premises prevents services being delivered</p> <p>Effects:- Disruption of service provision.</p>	5	5	25	<ul style="list-style-type: none"> • Alarm and security systems • Fire drills • Business continuity plans • Emergency planning network • ICT disaster recovery and offsite testing • Relocation procedures - critical and support services • Geographically distributed sites • Remote working • Statutory building inspection and checks • Corporate Business Continuity Plans 	2	3	6	Peter Catchpole	<ul style="list-style-type: none"> • Regularly test Emergency Plan • Test service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Provision of 'drop down' facilities for staff 	<p>Emergency plans – ongoing programme of review, testing and training of staff involved in a response</p> <p>Plans regularly checked and tested with emergency planning exercise conducted at intervals.</p> <p>Improved ICT systems provide better/increased opportunities for remote/agile working</p> <p>60% of the workforce has been home-work enabled, with access to Councils systems, which continues to maintain the delivery of a significant number of Council services.</p> <p>All key/priority services have individual Business Continuity measures in place to maintain service delivery.</p> <p>The Covid-19 situation has demonstrated that access (lack of/limited) to the building has not impacted the Councils ability to deliver services. The Council has introduced virtual meetings and remote/agile working to minimise this risk.</p> <p>The Council has implemented Pay Point, which has enabled our resident to pay their bills (by cash or card) in a much greater number of more local rural locations across the district.</p>

Heat Map – Residual Risk



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

LIKELIHOOD SCORE

IMPACT SCORE

Risk Appetite

Risk Appetite

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2020/21 and 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
8 March 2021	External Audit Plan 2020/21	Annual	External Auditor	To note the external audit plan for the new financial year.
	Risk Based Internal Audit Plan 2021/22	Annual	Kathy Woodward	To approve the internal audit plan and resources for the forthcoming year
	Internal Audit Charter	3-year update	Kathy Woodward	To review the Internal Audit function's Terms of reference, independence, access to records and delivery of audit opinion, including the governance and management of resources.
	RIPA Annual Update	Annual	Anna Goodall	To review and note the use of RIPA in the previous year.
	Risk Management Strategy and Corporate Risk Register	Annual	Sam Anthony	To consider and note the annual review of risk management and corporate risk register.
<i>End June 2021</i>	Treasury Management Annual Review 2020-21	Annual	Mark Saunders	To consider the overall financial and operational performance of the Council's treasury management activity. This report will be considered by Cabinet and Council.
	Draft Statement of Accounts 2020-21	Annual	Mark Saunders	To review and note the draft Statement of Accounts
	Annual Governance Statement 2020-21	Annual	Anna Goodall	To approve the content of the Annual Governance Statement for inclusion in the published Statement of Accounts 20-21.
	Internal Audit Outturn and Quality Assurance Review 2020-21	Annual	Kathy Woodward	To note the work undertaken by Internal Audit during the year, not the Annual Audit Opinion and consider the effectiveness of Internal Audit
	Corporate Governance Committee / Audit and Risk management Committee Annual Report 2020-21	Annual	Kathy Woodward	To approve the report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work.
<i>End September 2021</i>	Risk Register - Quarterly update	Progress Report	Sam Anthony	To review and approve the quarterly risk register.
	Internal Audit Plan 2021/22	Progress	Kathy Woodward	To consider and note the activity and

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2020/21 and 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
	Progress report Q1	report		performance of the Internal Audit function.
	Audit Results Report (ISA 260)	Annual	External Audit	Consider and note the Audit results report
	Statement of Accounts 2020-21	Annual	Mark Saunders	Review and approve the Statement of Accounts 2020-21
	Letter of Representation	Annual	Mark Saunders	Agree format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 20-21 Statement of Accounts audit. To be signed by Chairman of CGC and S151 officer
<i>November 2021</i>	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review	Progress report	Mark Saunders	To review the activity for first 6months of the year and to provide members a update on matters pertinent to the Councils TM Strategy
	Internal Audit Plan 2021/22 Progress report Q2	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.
	Risk Register - Quarterly update	Quarterly	Sam Anthony	To review and approve the quarterly risk register.
<i>February 2022</i>	Annual Audit Letter 2020-21	Annual	External Audit	To note the independent external auditors, Ernst &Young (EY), Annual Audit Letter
	Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23	Annual Cabinet / Council	Mark Saunders	To Endorse the strategy to be included in the final budget report.
	Internal Audit Plan 2021/22 Progress report Q3	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.
	Risk Register – Quarterly update	Progress report	Sam Anthony	To review and approve the quarterly risk register.
	Annual Governance Statement 6-month update	Progress report	Anna Goodall	To review progress on the AGS action plan

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2020/21 and 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
<i>March 2022</i>	External Audit Plan 2021/22	Annual	External Auditor	To note the external audit plan for the new financial year.
	Risk Based Internal Audit Plan 2022/23	Annual	Kathy Woodward	To approve the internal audit plan and resources for the forthcoming year
	RIPA Annual Update	Annual	Anna Goodall	To review and note the use of RIPA in the previous year.
	Risk Management Strategy and Corporate Risk Register	Annual	Sam Anthony	To consider and note the annual review of risk management and corporate risk register.

Future items (when to be brought to the committee to be determined)

- Anti-Fraud and Corruption Policy and Strategy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Corporate Debt Policy

Audit and Risk Management Committee Training sessions 2020/21 and 2021/22

- Statement of Accounts July 2021

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2020/21 and 2021/22

Title	Comments	Due by	RAG
Action Plan	The Committee agreed to include a committee action plan for future meetings.	November 2020	Complete
Independent Member appointment	The Committee decided in August 2020 to review the need for an independent member as part of the committee.	November 2021	Not due
Audit Results Report – land valuation recommendations	Allocate target date and responsible officer for completion of the Land Valuations recommendation highlighted in Audit Results report. Responsible officer – Peter Catchpole	31 March 2021 (review if nec'y)	Not due
Internal Audit Progress report	Provide members of CGC with an update on the themes and recommendations from the ARP audits	1 February 2021	Complete
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	1 February 2021	Not Due