Fenland District Council

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AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 14 FEBRUARY 2022

4.00 PM

COUNCIL CHAMBER, FENLAND HALL, COUNTY ROAD, MARCH

Committee Officer: Niall Jackson
Tel: 01354 622461
e-mail: memberservices@fenland.gov.uk

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.

The You tube link for this meeting is: https://www.youtube.com/watch?v=t4yaDBu1HwY

1 To receive apologies for absence.

2 Previous Minutes. (Pages 3 - 6)

To confirm and sign the minutes of 29 November 2021.

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

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

5 Auditor Annual Report 2020-21 (Pages 7 - 36)

To note the independent external auditors, Ernst &Young (EY), Annual Audit Report.

6 External Audit Appointment Process (Pages 37 - 42)

To update members on the procedure for appointing External Auditors and to recommend the approach for 2023/24 – 2028/29 to be considered by Full Council.

7 Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23 (Pages 43 - 62)

To endorse the strategy to be included in the final budget report.

8 Internal Audit Plan 202122 Progress report Q3 (Pages 63 - 70)

To consider and note the activity and performance of the Internal Audit function.

9 Risk Register – Quarterly update (Pages 71 - 102)

To review and approve the quarterly risk register.

10 Audit and Risk Management Committee Work Programme (Pages 103 - 106)

For information.

11 Items of Topical Interest

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

Friday, 4 February 2022

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

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 29 NOVEMBER 2021 - 4.00 PM

Fenland
CAMBRIDGESHIRE
Fenland District Council

PRESENT: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor Mrs J French, Councillor Miss S Hoy (Substitute), Councillor N Meekins, Councillor M Purser, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

APOLOGIES: Councillor G Booth and Councillor J Mockett

OFFICERS IN ATTENDANCE: Sam Anthony (Head of HR and OD), Stephen Beacher, Peter Catchpole (Corporate Director and Chief Finance Officer), Neil Krajewski (Deputy Chief Accountant) and Mark Saunders (Chief Accountant)

GUESTS: Mark Hodgson (Ernst and Young), Amalia Valdez Herrera (Ernst and Young)

ARMC30/21 PREVIOUS MINUTES

The minutes of the meetings held 20 September 2021 were approved and signed.

ARMC31/21 AUDIT PLAN ADDENDUM - VALUE FOR MONEY

Members considered the Audit Plan Addendum, Value for Money presented by Mark Hodgson from Ernst and Young.

- Mark Hodgson informed the committee that no significant risks were identified.

Members AGREED to note the contents of the Audit Plan Addendum report.

ARMC32/21 AUDIT RESULTS REPORT (ISA 260)

Members considered the Audit Results Report presented by Mark Hodgson.

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

- Peter Catchpole noted that the numbers in the audit fees table did not add up. Mark Hodgson stated that this would be amended for the website version.
- Councillor Wicks questioned the use of imperial and metric measurements and asked whether the necessary correction in procedures been noted and amended. Peter Catchpole explained that this was not an error on Fenland District Council's or Ernst and Youngs part but that of the valuers employed by the Council.

Members AGREED to note the contents of the Audit Results Report.

ARMC33/21 STATEMENT OF ACCOUNTS 2020-21

Members considered the Statement of Accounts 2020-21 presented by Mark Saunders.

- Mark Saunders noted that there was little change to the report since September. He informed the committee that the adjustments needed were minor and that they would be made in due time.

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

- Steve Tierney stated that the explanation for not making the adjustments were reasonable and commended the simple and concise way the information had been presented. He thanked the Auditors and Officers for their work.

Members AGREED:

1. **the rationale for not correcting the two adjustments, as detailed in Section 4 of this report be approved.**
2. **that the Statement of Accounts and Annual Governance Statement for the financial year ended 31 March 2021 as presented be approved.**
3. **that delegation be given to the Chairman of Audit & Risk Management Committee and 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.**

ARMC34/21 LETTER OF REPRESENTATION

Members considered the Letter of Representation presented by Mark Saunders.

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

Members approved the letter of representation

ARMC35/21 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW

Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review presented by Mark Saunders.

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

- Councillor J French asked when the long-term debt was due to be paid off. Mark Saunders noted that there were 2 loans which would mature in around 10 years and a fixed rate loan with Barkley’s for around 3.3 million which was not due for 15-20 years. He explained that when the loans were taken out, the interest rates were considered to be very good. However, due to decreases in interest rates over the past years attempting to repay these now would incur significant penalties. He noted that the possibility of early repayment was constantly under review and that repayments would be made when financially viable.
- Councillor Yeulett urged caution regarding property funds citing an authority having to be bailed out by 100 million pounds. Mark Saunders noted that all risks are taken into consideration when deciding what investment the Council should make.
- Councillor Wicks asked about the possibility of investing into buildings that could be utilised for businesses. Mark Saunders noted that all opportunities are open for review and this will be taken into consideration if the opportunity arises.
- Councillor Benney and Councillor Tierney noted their membership on the investment board and explained that they assess all options and act with caution when deciding what to invest in. They noted that all investments do have an element of risk to them and there is always a possibility of failure. Councillor Benney explained that the investment board can only take opportunities as they arise and noted that they were open to any possible leads from Members.

- Peter Catchpole informed the Committee that the Council had been monitoring property funds for a year and had been advised not to invest in property funds due to pandemic. He noted that there had been a missed opportunity already which had been out of the Council's control but that they were constantly on the lookout for potential investment.

Members AGREED to note the contents of the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review.

ARMC36/21 INTERNAL AUDIT PLAN 2021/22 PROGRESS REPORT Q2

Members considered the Internal Audit Plan 2021/22 Progress report presented by Peter Catchpole.

- Peter Catchpole noted Katherine Woodward's apologies for being unable to attend the meeting and provided an update on the progress of the Internal Audit Plan.

Members AGREED to note the Internal Audit Plan 2021/22 Progress report.

ARMC37/21 CORPORATE RISK REGISTER - QUARTERLY UPDATE

Members considered the Corporate Risk Register Quarterly update presented by Sam Anthony.

- Sam Anthony noted that this would be her last report on this item with Stephen Beacher poised to take over at the next meeting.

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

- Councillor Purser gave his thanks to Sam Anthony for her contribution to the committee over the years. Councillor J French and Councillor K French echoed this and thanked the officers involved for all their hard work over the past 20 months.

Members AGREED to note the Corporate Risk Register Quarterly update.

ARMC38/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Councillor K French presented Audit and Risk Management Committee Work Programme 2021/22 for information.

- Councillor K French noted that due to low attendance the Audit and Risk training session would be held again at a later date.

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

- Councillor Yeulett enquired about the appointment of an independent member to the committee. Peter Catchpole noted that there would be a debate in the future led by the committee around the need to appoint an independent member.

The Audit and Risk Management Committee Work Programme was noted for information.

ARMC39/21 ITEMS OF TOPICAL INTEREST.

Peter Catchpole gave a verbal update on the appointment of external auditors for 2022/23.

- He noted that the Council had the option to procure their own auditors or that they could utilise the Public Sector Audit Appointments (PSAA) to do so. He explained the process that would need to take place if the Council procured the Auditors and described the difference between procuring through the Council and using the PSAA.

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

- Councillor Wicks asked how the scrutiny auditors are currently under could change the due process the Council undergoes. Peter Catchpole noted that the Council will keep this under surveillance and indicated that one of the benefits of using the PSAA would be that they keep on top of external developments. He explained that the Council are currently attending Various webinars to help develop the understanding.
- Councillor Tierney and Councillor Benney recommended staying with the PSAA as the current process had proven successful.

The report was noted for information.

5.08 pm Chairman

Agenda Item No:	5	Fenland CAMBRIDGESHIRE
Committee:	Audit and Risk Management Committee	
Date:	14 February 2022	
Report Title:	Auditor's Annual Report 2020/21	

Cover sheet:

1 Purpose / Summary

To receive the independent external auditors, Ernst &Young (EY), Annual Report for 2020/21.

2 Key issues

- The external audit findings for 2020/21 have been reported to the Audit and Risk Management Committee throughout the year. The Auditor's Annual Report brings together all the auditor's work over the year.
- The external auditors Audit Results Report for 2020/21 was presented to this committee on 29 November 2021, confirming an unqualified opinion on the Financial Statements for 2020/21.
- A core element of the Annual Report is the commentary on Value for Money (VFM) arrangements (Section 4 of the attached report). In all aspects of the VFM assessment, the Council had the arrangements in place that EY would expect to see. As a result of the VFM procedures carried out, EY have not made any recommendations.
- EY have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The guidance for 2020/21 is yet to be issued. We are not expecting any issues relating to this work. Once EY have completed this work they will issue their audit certificate.

3 Recommendation

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

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Kim French, Chairman of Audit and Risk Management Committee Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	2020/21 Audit Results Report (ISA260)

Fenland District Council

Auditor's Annual Report
Year ended 31 March 2021

8 December 2021

Building a better working world

Contents

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

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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

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

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 29 November 2021.
Going concern	We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.

Area of work	
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 17 November 2021 to the Audit & Risk Management Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued

Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant income, Going Concern, and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix 1.

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

MARK HODGSON

Mark Hodgson

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

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

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 21 May 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

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

Responsibilities of the Council

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

Section 3

Financial Statement Audit

Financial Statement Audit

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

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

On 29 November 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit & Risk Management Committee meeting on the 29 November 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We did not identify any material weakness in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We did not identify any inappropriate journal entries or other adjustments to the financial statements.
Inappropriate capitalisation of revenue expenditure Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.	Our sample testing of additions to Property, Plant and Equipment and Investment Properties found that they had been correctly classified as capital and included at the correct value. Our sample testing did not identify any revenue items that were incorrectly classified. Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Accounting for Covid-19 related grant funding In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.	Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied. Our work also did not identify any grants where Fenland's assessment of their role as Agent or Principal was inconsistent with other Councils.

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
National Non-Domestic Rates Appeals Provision The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils were forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.	Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision. We had no other matters to report.
Recoverability of Receivables As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.	Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the Bad Debt Provisions made. We had no other matters to report.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Pension Valuations and Disclosures The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us. As a result, the Council received an updated IAS19 report from the Actuary, which determined that the liability in the draft accounts was overstated by £1.140 million. The audited statements were updated for the revised figures.
Valuation of Property, Plant and Equipment and Investment Properties The fair value of Property, Plant, and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	Our work did not identify any issues with the valuation of PPE or Investment Properties.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Accounting for Collection Fund disclosures During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore an inherent risk of incorrect accounting based on the significant level of change in the year.	Our work did not identify any issues with the accounting for Collection Fund disclosures.
Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management used the basis of their assessment to produce the disclosures included within the draft financial statements. We were satisfied that the revised disclosure note appropriately set out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.

Continued over.

Audit differences

Adjusted Differences

Management have corrected for updated market information in respect of pension fund assets, through receipt of a revised actuarial report. This has reduced the overall liability by £1.140 million.

Unadjusted Differences

There were 3 uncorrected misstatements within the authorised accounts:

- £0.170 million - in relation to one Property, Plant, and Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area.
- £0.103 million - between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. There is a £0.049 million recurring historical difference, which has fallen below our reporting threshold. In 2020/21, Management have reduced the liability by a further £0.054 million to reflect the impact of the Redundancy Provision on the Pension Liability. We did not believe that the Pension Liability was impacted by this provision at the 31 March 2021.
- £0.088 million - in relation to an incorrect accumulated depreciation charge on Community Assets. Community assets are not depreciated as per the Council's accounting policies.

Management chose not to adjust for these differences as they did not deem them to have a material impact.

We identified a small number of misstatements in disclosures which management corrected.

Our application of materiality

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

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.116 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council
Reporting threshold	We agreed with the Audit & Risk Management Committee that we would report to the Committee all audit differences in excess of £0.055 million.

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

- Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness
- Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit & Risk Management Committee meeting on the 29 November 2021, which was based on a combination of our cumulative audit knowledge and experience, our review of Council and Committee reports, meetings with the Chief Finance Officer, Chief Accountant, and Deputy Chief Accountant and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

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

Reporting

We completed our planned VFM arrangements work in November 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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

VFM Commentary

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

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

VFM Commentary

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability

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

The development of the Council's Medium Term Financial Strategy is integrated with the production of the Council's Business Plan. The budget is part of these documents. These are developed through a close working between officers and members, which ensures the Council's financial plan takes into account member priorities and service developments which officers are aware of. The Business Plan is discussed with the Corporate Management Team. Regular portfolio-holder briefings with the Leader and Finance Portfolio Holder ensure members are fully appraised of relevant developments at an early stage. The MTFS and the Business Plan goes out to officers in December each year and are finalised in February as part of the budget setting process.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

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

The Council has put in place the 'My Fenland' transformation programme. Two phases have been completed and a third one is under development. In the first two phases, 'My Fenland' has significantly reduced the size of the establishment by streamlining existing processes through improved use of technology. Phase 2 has culminated in a reduction of 9 FTE that was implemented in April 2021. The next phase of 'My Fenland' has started to examine which tasks undertaken in the planning team could be moved into the My Fenland area. The 'My Fenland' programme is constantly evolving in terms of what savings can be achieved. There is a steering group made up of senior officers in place. Additionally, the Council is making good progress as part of the implementation of its Commercial and Investment Strategy, which involves the generation of additional sources of income to reduce the need for savings to be found.

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has been successful in identifying grant funding to deliver investment in the District. By harnessing external funding, the Council is able to deliver member's priorities without depleting reserves or drawing on external borrowing. The Council has also set aside a reserve balance of £500k for potential future changes to the business rates system which could be financially detrimental to the Council. The Council has a Business Plan in place, which is reviewed and updated every year. When the annual report is produced every year, it links back to the Council's performance indicators and provides a traffic light rating.

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

This is built into the business planning process. The ‘Capital Strategy’ is developed alongside the MTFS. There is some cross-working with the County Council on policy areas where there might be some cross-over, such as like transport, or social care. The Council is also part of the Anglia Revenues Partnership, which helps foster a joined-up approach to issues linked to welfare benefits.

Financial sustainability (continued)

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Council prepares an amended budget in December, which goes to Cabinet for review. This will include the revised projections for the current financial year, and updates members on financial developments since the February budget. The Finance Team will reflect on discussions with the Heads of Service and provide a revised projection for each Service. There are no formal Performance Reports presented to Cabinet or any other Committee, but the officers produces Portfolio Holder Briefing reports and these are discussed at the Council. Financial risks would be identified at management team discussions with the Head of HR and Organisational Development, and they would be included in the Council's Risk Register.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Governance

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

The Council has a Risk Register in place. The Head of HR and Organisational Development has overall responsibility for the Risk Register. The register is considered at management level and taken to the Audit and Risk Management Committee. The risk register is presented 4 times a year to the Audit and Risk Management Committee. Individual officers would have the responsibility for monitoring the risks to their services. The Council has an Internal Audit function in place, which is led by a CIPFA qualified Internal Audit Manager. The Internal Audit Plan for the year was presented and discussed at the Corporate Governance Committee (now the Audit and Risk Management Committee). Internal Audit also present regularly to the Committee throughout the year about their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year.

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

Meetings are held between the Finance team and all Heads of Service to discuss individual Service budgets in detail. The draft budget is considered by Cabinet in December prior to be being considered by the Overview and Scrutiny Committee in January. The meeting in January includes a detailed examination of proposals relating to fees and charges. Consultation for the budget also takes place via the Council's website at the start of each year. The final Budget is approved by Cabinet and Council in February each year.

Governance (continued)

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

Budget monitoring information is circulated every other month to the Corporate Management Team and the Heads of Service. This includes projections for the year-end position as well as information concerning the year-to-date. Prior to being distributed, the monitoring information is subject to detailed review by the Deputy Chief Accountant and/or the Chief Accountant. Portfolio holder briefing reports include performance against Performance Indicators, and updates about events going on in the Council. These reports are prepared quarterly and are discussed at meetings of the Full Council.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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

The Council employs a qualified solicitor who advises CMT on the legal implications of all proposed decisions. All Cabinet reports get circulated to the Corporate Management Team (CMT). CMT includes the Monitoring Officer, Chief Executive, and the S151 officer so they would input whether additional consideration needs to be included. The Full Council is the key decision-making body. Every elected member of the Council is able to attend these meetings and has a vote on all decision items. A decision also requires a majority of voting members approval in order to be passed. At the Cabinet level, there is a call-in process for decisions, whereby after the decision is taken there is an opportunity to call-in. No decision can be implemented until this period has elapsed. This process is detailed in the Council's Constitution. The Council merged its Staff Committee and Corporate Governance Committee in December 2020, and renamed it the Audit and Risk Management Committee. Clear Terms of Reference have been set for this Committee - so that the governance responsibilities are appropriately demarcated from the decision making role it has for Staff related matters - through a split agenda for relevant meetings where staff matters need to be addressed. The Terms of Reference also include the responsibility to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. The Audit and Risk Management Committee meets five times a year. The Committee is comprised of appropriately skilled members. Training is provided to members, and the Finance team works with the Chair of the Committee to identify training needs. Members can ask via the Chair for their training needs to be considered.

Governance (continued)

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

The Council has outlined Codes and Protocols, which include a Code of Conduct For Members and a Code of Conduct for Employees. There is a Gifts and Hospitality Register. Committee meetings all have a standing agenda item for the formal declarations of interests. Declarations for related party transactions are done annually, and this is overseen by Member Services and updated into the Council's website. The Monitoring Officer is legally responsible for monitoring the compliance of the Council's policies. The Monitoring Officer deals with any complaints that are raised. The Council has a formal whistleblowing policy in place, with appropriate prominence on the Council's website and for staff. The Council's policies are reviewed and updated on a regular basis.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness

1. How financial and performance information has been used to assess performance to identify areas for improvement

Financial and Performance information has been central to the 'My Fenland' process. Call data was analysed to identify the number of calls being handled per hour which indicated the opportunity to reduce the headcount without negatively impacting on the service staff receive. Regular exercises are in place to ensure that the services the Council provides to residents recover the associated costs. Financial performance is reported in the context of budget-setting and approval of the outturn, although additional information would be provided if necessary to take forward projects where additional resources need to be allocated. More performance information is contained in the quarterly Portfolio Holder Briefing reports produced, and these link back to the Business Plan.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

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

VFM Commentary

Improving economy, efficiency and effectiveness (continued)

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council's most significant partnership is the Anglia Revenues Partnership (ARP). There is a joint committee for ARP with representatives from each of the five Councils that constitute the Partnership. The Joint Committee meets quarterly and they consider performance against key areas, they monitor the ARP risk register, and consider any other items of relevance to their service delivery. The Council is also a member of CDC which provides building control services to the Council and other members. A member of the Council’s CMT attends all CDC board meetings.

4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has a full-time Procurement Manager who reports to the Head of Legal and Governance. Officers are regularly reminded of the Council’s procurement policies at management team meetings and via briefings on the website. The Procurement Manager actively review purchase orders to confirm procurement has been undertaken in line with Council policy and statutory requirements.

VFM Commentary

Recommendations

Recommendations

As a result of the VFM procedures we have carried out we have not made any recommendations.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.

Section 5

Other Reporting Issues

Other Reporting Issues

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council’s Annual Governanc Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any issues with the Annual Governance Statement.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

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

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

Other powers and duties

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

Control Themes and Observations

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

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

Our audit did not identify any controls issues to bring to the attention of the Audit & Risk Management Committee.

Appendix A

Audit Fees

Audit Fees – Council

Our fee for 2020/21 is in line with the audit fee reported in our Audit Results Report presented to the Audit & Risk Management Committee on 29 November 2021.

Description	Final Fee 2020/21 £	Scale Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	37,873	37,873	37,873
Additional Fee determined by PSAA Ltd (Note 1)	-	-	8,976
Fee Variation (Note 2)	TBC	-	-
Revised Scale Fee	**TBC**	**37,873**	**46,849**
Other – Port Authority Work (Note 3)	2,900	-	2,750

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. In addition there are additional procedures required for the risks identified and addressed through the audit as reported in both the Audit Plan and the Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

Note 3 – This fee is for additional work on the Harbour Accounts prepared annually by the Council in line with the regulations. We cannot confirm until we have completed all of the necessary procedures.

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Agenda Item No:	6	Fenland CAMBRIDGESHIRE
Committee:	AUDIT AND RISK MANAGEMENT COMMITTEE	
Date:	14th February 2022	
Report Title:	Future Arrangements for Appointing the Council's External Auditors	

Cover sheet:

1 Purpose / Summary

This report sets out the options available to the Council regarding the future appointment of an external auditor for 2023/24 to 2027/28 following the end of the current appointment period.

2 Key issues

- The Council's current appointing arrangements have been made through opting into the Public Sector Audit Appointments Ltd (PSAA) for the period 2018/19 - 2022/23.
- A new appointing person arrangement is required, so that the appointment of an external auditor for the accounts of 2023/2024 and later years can be made.
- New appointments for the 2023/2024 accounts must be made under the provisions of the Local Audit and Accountability Act 2014 (the Act), and confirmed by 31 December 2022.
- Councils have two potential options to consider when appointing auditors, including opting into the PSAA arrangement for appointing external auditors. These are set out in the report with the view that the Council should opt into the PSAA arrangement.

3 Recommendations

To recommend to Council:

- That Fenland District Council opt-in to the PSAA sector led auditor appointment arrangements for the Council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements; and
- To delegate acceptance of the invitation to the Corporate Director & Chief Finance Officer, as the Council's Section 151 Officer.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio for Finance Cllr Kim French, Chairman of Audit and Risk Management Committee
Report Originator(s)	Kathy Woodward, Internal Audit Manager

Contact Officer(s)	Kathy Woodward, Internal Audit Manager Mark Saunders, Chief Accountant Peter Catchpole, Corporate Director and Chief Finance Officer
Background Paper(s)	

1 Background / introduction

1.1 The Audit Commission closed in March 2015. Transitional arrangements were managed by the PSAA until the 2017/18 audit. The Council agreed to opt into PSAA's appointing person arrangement for the period 2018/19 – 2022/23.

1.2 A new appointing person arrangement is required, so that the appointment of an external auditor for the accounts of 2023/2024 and later years can be made.

2 Options for the Appointing Person Arrangement

2.1 New appointments for the 2023/2024 accounts must be made under the provisions of the Local Audit and Accountability Act 2014 (the Act), and confirmed by 31 December 2022. There are two options available to the Council for appointing an auditor:

- OPTION 1: to undertake an individual auditor procurement and appointment exercise; or
- OPTION 2: to join a "sector led body" arrangement where specified appointing person status has been achieved under the relevant Regulations.

2.2 For the first option, the legislation requires an Auditor Panel to be established. Requirements include:

- At least three members, two of which must be independent;
- A majority of independent members; and
- An independent chairperson.

2.3 Guidance on Auditor Panels has been issued by CIPFA for local government bodies. The guidance includes a table of advantages and disadvantages of the different ways an Auditor Panel could be set up. This table is reproduced at Appendix A for information.

2.4 For the second option, the 'sector led body' is Public Sector Audit Appointments Ltd (PSAA).

2.5 PSAA is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA have been able to make auditor appointments for audits of the accounts from 2018/2019 of principal authorities that choose to opt into its arrangements.

2.6 For the period 2018/19 – 2022/23, 498 bodies were listed as opting into PSAA's scheme. Only 11 bodies chose to adopt local arrangements for appointing auditors.

2.7 The scheme is an authorised national scheme which will take full responsibility for local auditor appointments and aim to ensure a high quality professional service and value for money.

2.8 The PSAA intends that the scheme will save time and resources for Councils and avoid the necessity to establish an auditor panel and manage their own auditor procurement. Assuming a high level of participation, the scheme should be able to attract the best audit suppliers and command competitive prices.

2.9 Moreover, the scheme will aim to appoint the same auditors to bodies which are involved in formal collaborations and joint working initiatives.

2.10 The Council opted into the PSAA appointing arrangements for the 2018/19 – 2022/23 period. Over the duration of this period, the Council have received rebates from the

PSAA, where they have been able to manage the contract arrangements and challenged the scale of fees charged.

2.11 Rebates received from the PSAA amounted to £4,580 in 2019, £7,470 in 2021 and for 2019/20 the additional audit charge proposed by EY to reflect a range of cost pressures faced by EY’s public sector audit practice has been reduced by £10,773 following an intervention by PSAA.

2.12 Councils have until the 11th March 2022 to formally opt into the PSAA arrangement. The PSAA aim to award contracts to audit firms by June 2022, giving six months to consult on appointments with authorities before 31 December 2022 deadline.

2.13 The Local Audit (Appointing Person) Regulations 2015 require that the Council may only make the decision to opt into the appointing person arrangement by the members of the Council meeting as a whole. This report therefore asks Audit and Risk Management Committee to recommend to Council that the PSAA's invitation is accepted.

Appendix A: Configuration of an Audit Panel: Advantages / Disadvantages

Option	**Possible Advantages**	**Possible Disadvantages**
Setting up own separate and individual Auditor Panel to oversee separate and individual procurement	• Full ownership of the process • Fully bespoke contract with the auditor • Tendering process more based on local circumstances (within EU procurement rules)	• May experience difficulties in appointing majority independent panel members and independent panel chair • Will need to ensure that panel members are suitable qualified to understand and participate in the panel's functions • Will have to cover panel expenses completely • May not be able to procure at a low cost, eg depending on authority location, risk of limited provider choice and a single authority contract may be less attractive to some providers • Will not achieve economies of scale
Set up a panel jointly with other authority / authorities as part of a procurement exercise for joint contract covering more than one authority or multiple separate contracts	• Less administration than a sole auditor panel • Will be able to share administration expenses • May be easier to attract suitable panel members If procuring a joint audit contract: • May still be a relatively tailored process • May be able to achieve some economies of scale If procuring separate audit	If procuring a joint audit contract: • May need to compromise on arrangements or auditor contract • May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all authorities a joint panel may be more likely to advise

	contracts: • An opportunity for fully bespoke contracts with the auditor if the group of authorities can agree	appointment of an auditor it considers suitable for all authorities taken together • Need to agree appointment of members across multiple authorities and set up a joint decision making process
Use existing committee or sub-committee	• Existing administrative structure in place • Existing (sub) committee should already have better basic understanding of the authority's objectives and requirements	• Possible need to appoint new (sub) committee members to comply with independence regulations
Use another authority's panel	• Will not have to set up an auditor panel • Possible more independent options for the authority using the host authority's panel	• The panel may not understand the specific needs of the authority • May need a formal arrangement with the other authority • May be difficult to find an authority willing to enter into such an arrangement • May be more difficult to ensure adequate liaison with authority's own Audit Committee

Agenda Item No:	7	
Committee:	Audit and Risk Management Committee	
Date:	14 February 2022	
Report Title:	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to provide Members with information on the proposed Treasury Management Strategy Statement, Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy for 2022/23.

2 Key issues

- Note the changes to the revised 2021 Charted Institute of Public Finance and Accountancy's (CIPFA) Treasury Management and Prudential Codes which will impact on future Treasury Management Strategy Statement (TMSS) and Annual Investment reports and the risk management framework.
- The prudential and treasury indicators detailed in paragraphs 2-13, show that the Council's capital investment plans are affordable, prudent and sustainable.
- The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium-term forecast.
- The Treasury Management Strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows.
- Due to the Council's long term PWLB debt portfolio (£4.5m at 31/03/21) currently attracting excessive premiums it is not financially advantageous for the Council to comply with the gross borrowing and capital financing prudential indicator fully.
- Total external interest which includes finance lease interest payments; revised estimate for 2021/22 is £491,030 and the estimate for 2022/23 is £623,390. Additionally if the authority were to borrow the full £21.302m, over the next four years, to fund schemes taken forward as part of the Commercial and Investment Strategy this would currently attract annual interest payments of £447,342 by 2024/25.
- The report includes Link Groups previous forecast for Bank Rate which included four increases, beginning in quarter 2 of 2022 to 0.50%, then rising steadily to 1.25% by quarter 1 of 2025. However, the Bank Rate was increased on 3 February 2022 to 0.50%. We are currently awaiting updated forecasts from Link and will incorporate the relevant changes into the final budget report to Council later this month.
- The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2025.

- 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 £40,000 for 2021/22 and £65,000 for 2022/2023. The Council is anticipating, depending on completing due diligence checks, that it will invest up to £4m into property funds during this financial year (2021/22). The Medium Term Financial Strategy presented to Cabinet on 8 December 2021 incorporated an estimate that such an investment would yield an annual return of £150,000.
- The Council's Capital Strategy is currently being updated to take account of the latest developments in respect of the Council's Commercial and Investment Strategy and relevant sector guidance. The final version will be incorporated in the papers which Council considers at its meeting on 24 February 2022.

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 2022/23.

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

Report:

1 Introduction

CIPFA Treasury Management Code and Prudential Code (Revised 2021)

1.1 CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

1.2 The revised codes will have the following implications:

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

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

Treasury management

Arising from the organisation’s cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments. The Council’s proposed investment in property funds falls into this category.

Service delivery

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

Commercial return

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

1.4 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report

1.5 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

2 Background

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

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

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

CIPFA defines treasury management as:

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

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

3 The Capital Strategy Reporting Requirements

3.1 The CIPFA revised 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.

3.2 The aim of the Capital Strategy is to ensure that all elected members on full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

4 Treasury Strategy Reporting Requirements

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

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

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

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

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

4.3 The Strategy covers two main areas:

Capital issues

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

Treasury management issues

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

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

5 Capital Prudential Indicators 2022/23 to 2024/25

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

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

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

Capital Programme	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Forecast Capital Expenditure	**12,486**	**13,567**	**8,692**	**1,587**
Commercial and Investment Strategy Schemes	**330**	**2,472**	**13,500**	**5,000**
TOTAL	**12,816**	**16,039**	**22,192**	**6,587**
Financed by:				
Capital Grants	10,165	6,972	6,735	950
Capital Receipts	265	100	100	100
Reserves used in year to fund Capital	463	100	0	0
Section 106 and Other Contributions	50	115	0	0

Total Financing	**10,943**	**7,287**	**6,835**	**1,050**
Net Financing Need For The Year (Borrowing)	**1,873**	**8,752**	**15,357**	**5,537**

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

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

5.6 In the case of capital expenditure incurred in accordance with the Council’s Commercial and Investment Strategy the MRP charge cannot be determined until such time that the Investment Board approves a scheme. Where the projected Capital Financing Requirement is disclosed in this report the figures used reflect the impact of borrowing to fund the full allocation of the remaining £21.3M over the next 4 years but no assumptions have been made regarding how MRP might reduce the CFR attributable to these schemes. This approach is considered reasonable until such time that any new schemes are formally approved by the Investment Board. In accordance with the current Minimum Revenue Policy, a provision for MRP in relation to the Investment Property acquired in the 2020/21 financial year is incorporated into the information in this report and the Council’s Medium Term Financial Strategy.

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

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

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

Capital Financing Requirement (CFR)	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
CFR – as at 31 March				
Opening CFR	**6,177**	**7,682**	**16,011**	**30,752**
Movement in CFR	**1,505**	**8,329**	**14,741**	**4,883**
Closing CFR	**7,682**	**16,011**	**30,752**	**35,635**
Movement in CFR represented by				
Net financing need for the year	1,873	8,752	15,357	5,537
Less MRP and other Financing Movements	(368)	(423)	(616)	(654)
Movement in CFR	**1,505**	**8,329**	**14,741**	**4,883**

6 Minimum Revenue Provision (MRP) Policy Statement

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

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

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

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

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

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

(5) For investment in Property Funds which the Council, following consultation with its Treasury Advisors, assesses as meeting the definition of capital expenditure MRP shall be charged over the period the Council expects to hold the investment. The period over which MRP can be charged for this type of investment shall not be permitted to exceed 20 years. Currently, the Council does not anticipate that its proposed investment in property funds referred to elsewhere in this document will meet the definition of capital expenditure.

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

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

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

Year End Resources	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Fund balances / reserves	**18,740**	**15,600**	**15,800**	**15,850**
Expected Cash investments	**22,200**	**19,400**	**18,000**	**18,000**

8 Affordability Prudential Indicators

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

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

Financing Costs to Net Revenue Stream	**2021/22 Revised Estimate %**	**2022/23 Estimate %**	**2023/24 Estimate %**	**2024/25 Estimate %**
General Fund	**8.27**	**9.39**	**13.13**	**13.75**
Net Revenue Stream	**£9.787m**	**£11.257m**	**£11.687m**	**£12.091m**

9 Treasury Management Strategy

9.1 The capital expenditure plans set out in section 5 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and the Council's capital strategy. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

9.2 The Council's treasury portfolio as at 31 March 2021 for borrowing and investments was £8.043m and £24m respectively. As of 31 December 2021, investments are £34m (see Appendix A attached) and borrowing £8.019m.

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

	2021/22 Revised Estimate £000	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Debt at 1 April	**7,800**	**8,130**	**16,821**	**30,061**
Expected change in debt to fund capital programme (excluding Commercial and Investment Strategy schemes)	**0**	**6,219**	**(260)**	**(260)**
Borrowing to fund Commercial and Investment Strategy Schemes	**330**	**2,472**	**13,500**	**5,000**
Other long term liabilities (OLTL)	**243**	**106**	**23**	**0**
Expected change in OLTL	**(137)**	**(83)**	**(23)**	**0**
Actual gross debt at 31 March	**8,236**	**16,844**	**30,061**	**34,801**
Capital financing requirement (CFR) at 31 March	**7,682**	**16,011**	**30,752**	**35,635**
Borrowing less CFR – 31 March	**554**	**833**	**(691)**	**(834)**

9.4 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 2022/23 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.

9.5 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 DLUHC in its Statutory Guidance on Local Authority Investments which states that this prohibition extends to undertaking borrowing to fund the purchase of financial and non-financial investments, including investment properties. This is on the basis that in such circumstances local authorities would be borrowing ‘purely in order to profit from investment of the extra sums borrowed’. Section 4 of the Council’s Capital Strategy explains how the Council has had regard for this guidance and notes the Council’s approach to determining whether the motivation behind any proposed investment is purely to profit from investment of any sums borrowed.

9.6 As a result of the Council's long term Public Works Loan Board (PWLB) debt portfolio of £4.5m (31/03/21) currently attracting excessive premiums (£2.391m at the time of writing this report), if it were prematurely repaid and the fixed rate market loan of £3.3m (31/03/2021), 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.

9.7 Interest repayments associated with the external debt (including finance leases) above are shown below. The figures in the third column reflect the interest which would fall due if the Investment Board were to approve schemes totalling the full allocation of £21.3M and borrowing was undertaken over 4 years (see table 9.3 above) funded by a maturity loan at today’s rate.

YEARS	**INTEREST DUE (EXISTING CAPITAL SCHEMES) £000**	**INTEREST DUE (FUNDING OF COMMERCIAL AND INVESTMENT STRATEGY) £000**	**TOTAL £000**
2021/22	491	0	491
2022/23	623	59	682
2023/24	616	342	958
2024/25	611	447	1,058

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

Operational Boundary	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Debt	**12,000**	**14,500**	**14,500**	**14,500**
Other long term liabilities	**1,000**	**1,000**	**1,000**	**1,000**
Commercial Activities / Non Financial Investments	**21,302**	**21,302**	**21,302**	**21,302**
Total	**34,302**	**36,802**	**36,802**	**36,802**

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

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

Authorised Limit	**2021/22 Revised Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Debt	**17,000**	**19,500**	**19,500**	**19,500**
Other long term liabilities	**1,000**	**1,000**	**1,000**	**1,000**
Commercial Activities / Non Financial Investments	**21,302**	**21,302**	**21,302**	**21,302**
Total	**39,302**	**41,802**	**41,802**	**41,802**

10 Prospects for Interest Rates

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

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

10.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

10.3 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in quarter 2 of 2022 to 0.50%, then quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

10.4 Gilt Yields / PWLB Rates - as the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

10.5 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to the above forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison. PWLB rates and interest rates will both be kept under review by officers to inform the Council's strategy

10.6 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.

10.7 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

10.8 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations

10.9 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 and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

10.10 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.

10.11 Borrowing for capital expenditure. As Link’s long-term forecast (beyond 10years), for Bank Rate is 2.00%. As some PWLB certainty rates are currently under 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable.

10.12 While this authority will not be able to avoid borrowing to finance new capital expenditure and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

11 Borrowing Strategy

11.1 As noted above in paragraph 9.5 the Council recognises that statutory guidance indicates that whilst the Council has the necessary powers to borrow in advance of need the government and CIPFA state it should refrain from doing so where such borrowing takes place purely in order to profit from investment of the extra sums borrowed. None of the Council’s current borrowing was undertaken in advance of need.

11.2 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 9.6 above); the Council’s gross debt exceeds its CFR over part of the treasury strategy.

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

11.4 When the Council borrows externally it will ordinarily do so using funds borrowed from the Public Works Loan Board, though this does not preclude the Council considering other sources of lending.

11.5 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the four-year period to 31 March 2025. Assumptions about the level of external interest payable are reflected as part of the prudential indicators included in this document. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through either the mid-year or annual treasury management reports.

11.6 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.

11.7 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 2022/23	**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 2021/22	**Lower %**	**Upper %**
Under 12 months	**0**	**100**
12 months to 2 years	**0**	**100**
2 years to 5 years	**0**	**100**
5 years to 10 years	**0**	**100**
10 years and above	**0**	**100**

12 Debt Rescheduling / Repayment

12.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

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

13 Annual Investment Strategy - management of risk

13.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

- DLUHC’s Guidance on Local Government Investments (“the Guidance”);
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”); and
- CIPFA Treasury Management Guidance Notes 2018.

13.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite

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

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

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

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

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

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

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

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

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

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

13.12 The current forecast shown in paragraph 10.1, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

13.13 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

13.14 Estimated investment income is £40,000 for 2021/22 and £65,000 in 2022/23. These estimates assume that none of the existing cash balances held by the Authority will be utilised to fund schemes approved by the Investment Board.

13.15 **Investment treasury indicator and limit -** total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end. Currently the Council has no treasury investments in excess of 1 year.

	2022/23 £000	2023/24 £000	2024/25 £000
Maximum principal sums invested > 365 days	**10,000**	**10,000**	**10,000**

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

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

14 Creditworthiness Policy

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

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

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

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

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

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

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

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

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

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

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

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

15 External Service Providers

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

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

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

APPENDIX A

TEMPORARY INVESTMENTS AS AT 31/12/2021

BORROWER	AMOUNT £000	START DATE	MATURITY DATE	PERIOD IN DAYS	CURRENT INTEREST RATE %
Barclays Bank*	5,000	16/06/14		Flexible Interest	0.05
Santander UK	5,000	15/12/15		180 Day Notice A/C	0.63
Lloyds Bank	5,000	16/12/19		32 Day Notice A/C	0.03
Natwest Bank	3,500	01/07/21	20/01/22	203	0.11
Coventry Building Society	2,500	16/08/21	15/02/22	183	0.05
Nationwide Building Society	2,000	22/11/21	24/02/22	94	0.05
Leeds Building Society	5,000	30/11/21	24/02/22	86	0.06
Nationwide Building Society	1,000	01/12/21	01/03/22	90	0.05
Nationwide Building Society	2,000	16/12/21	14/03/22	88	0.05
Skipton Building Society	3,000	16/12/21	20/01/22	35	0.01
Total Investments at 31/12/2021	34,000				

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

Agenda Item No:	8	Fenland CAMBRIDGESHIRE
Committee:	AUDIT AND RISK MANAGEMENT COMMITTEE	
Date:	14 February 2022	
Report Title:	Internal Audit Plan 2021-22 Progress Report Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2021-21 for the period 01 April 2021 including planned work until 31 December 2021 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.

- Audit and Risk Management Committee approved the Internal Audit Plan 2021-22 on 21st June 2021.

- Members of the Audit and Risk Management Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.

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

3 Recommendations

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

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor Kim French - Audit and Risk Management Committee Chairman
Report Originator(s)	Kathy Woodward – Internal Audit Manager
Contact Officer(s)	Kathy Woodward - 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 2021-22 Internal Audit Outturn and Quality Assurance Review 2020-21

1 Background / introduction

1.1 This report includes details of the audit activity undertaken for the period 01 April 2020 to 31 December 2021.

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

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

1.3 To date the Internal Audit team have achieved a satisfactory level of planned audits and remain on course to deliver the majority of the audit plan for 2021-22.

1.4 The team have also been providing advice to ongoing council projects, particularly Covid 19 Business Grants, Future Hight Street Fund projects and a review of the council’s Corporate Debts policy.

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

1.6 A key performance objective of the team is to complete ‘fundamental’ audits, which are considered key financial systems. For 2021-22 there were 6 fundamental audits included in the plan. The internal audit team at Fenland has 3 ‘fundamental’ audits to be reviewed as part of this year’s cycle. Included within the auditing arrangements with ARP we will also receive completed audit reviews on Housing Benefits, Council Tax, Business rates and Overpayments that have been completed by other partners in the ARP group. Housing Benefits, Council Tax and Business rates are ‘fundamental’ audits.

2 Staffing Update

2.1 The restructure proposals of the Internal Audit team were approved by Staff Committee in September 2020. The proposals are outlined below:

- Reinstate the Internal Audit Manager to a full-time post.
- Appoint a full-time apprentice internal auditor.
- Retain the existing part time internal auditor.

2.2 Following the implementation of the restructure of the Internal Audit team, improved productivity of the team is being achieved and it is on track to deliver the Internal Audit Plan by the end of the year.

2.3 With the increase in capacity of the Internal Audit team, an additional strand of the revised staffing proposals included seeking to explore opportunities for income generation from the internal audit team.

2.4 An opportunity has arisen to provide Internal Audit Services to the Water Management Alliance (WMA). The WMA is a consortium of 7 Internal Drainage Boards, with a head office based in King's Lynn. The work will involve providing 7 days a year of service to the WMA to aid it in preparing the Annual Governance and Accountability return.

2.5 The committees for each Drainage Board have approved the use of the Internal Audit Manager to provide this service and it will generate £2,800 of income for Fenland District Council.

3 Monitoring

3.1 The Internal Audit Plan 2021/22 was approved by the Committee in June 2021. This is later than would normally be expected, but due to committee dates being revised as a result of the Coronavirus pandemic this was the earliest opportunity to present the plan. The delay in presenting the plan did not affect the work of the team and work commenced in April on delivering the Internal Audit Plan for 2021/22.

3.2 The exiting arrangements for the Shared Internal Audit Manager with the Borough Council of Kings Lynn and West Norfolk, resulted in a short delay during the first quarter of this year on completion of some Internal Audit reports. The impact of this delay is minimal and is being constantly monitored and continues to have very little impact upon the completion of the Audits as at the end of Quarter 3.

3.3 There were 4 audits brought forward from 2020-21, that have been completed. From the 2021-22 Audit Plan, we have issued nine final reports and six are currently at a draft stage and will be issued shortly. There are 11 audits ongoing that are due to be completed by the end of the year and two audits that will be carried forward into 2022-23. The carried forward audits will be reflected in the 2022-23 Audit Plan.

3.4 The Internal Audit team are still providing support to the Council's Covid-19 response, particularly around the work of business grants. There has been another round of government funding to support businesses affected by the Omicron variant. This has had a slight impact on the work plan of the internal audit team, resulting in two audits being carried forward to next year's audit plan.

3.5 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 throughout the year.

3.6 The following audits have been completed during 2021-22. (Appendix A)

- ARP Enforcement (20/21)
- Business Rates * (20/21)
- Council Tax Billing and Benefits * (20/21)
- Council Tax Recovery and Housing Benefit Overpayments* (20/21)
- Safeguarding
- Land Charges
- Taxi Licensing
- VAT
- Port Assets and Maintenance
- Housing Standards
- Housing Strategy
- Stores – Works
- Cemeteries (draft stage)

3.7 The following audits are currently ongoing and will be reported to the committee in future progress reports:

- Housing Grants – PSR / DFG (draft stage)
- Cemeteries (draft stage)
- Stores (draft stage)
- Legal Services (draft stage)
- Garden Waste (draft stage)
- Business Unit Lettings (draft stage)
- Income / Debt Management Review
- Corporate Finance – Management Accounting Systems
- Trading Operations – Port, Commercial and Marine
- ARP Enforcement
- Procurement
- S106
- Construction Industry Scheme (CIS)
- Licensing – Alcohol
- Payroll
- Local Authority Trading Company (FFL)
- Covid-19 Business Grants – Post Payment Assurance

3.8 Throughout the year other work that the internal audit team have been involved to assist with and to provide additional assurance are detailed below:

- Covid-19 Business Grants
- Covid-19 Discretionary Business Grants
- Fraud Investigation work
- National Fraud Initiative work
- Future High Streets Project
- External Audit appointment process

Appendix A: Audits completed

Audit	Overall opinion	Recommendations			Recommendation Theme
		High	Medium	Low	
Anglia Revenues Partnership – Enforcement (20/21)	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit
** Business Rates (20/21)*	*Adequate*	*3*	*5*	*10*	*The high-risk recommendations relate to reliefs, exemptions and discounts that have been brought into focus as a result of the Coronavirus busines grants. A new process for the award of Small Business Rate Relief has been brought into effect from May 2021 and a data cleansing exercise and review of existing ratepayers is underway.*
** Council Tax Billing and Benefits (20/21)*	*Adequate*	*-*	*8*	*7*	*The medium-risk recommendations relate to Council Tax refund process, Self Employed claimants, and system access controls. Low-risk recommendation are noted for areas of best practice and will not be reported upon.*
** Council tax Recovery and Housing Benefit Overpayments (20/21)*	*Adequate*	*-*	*5*	*2*	*The medium risk recommendations relate to the recovery of Council Tax and Housing Benefit Overpayments. System access and Housing Benefit Overpayment credit balances*
Safeguarding To gain assurance that that the Council has robust controls in place that comply with Section 11 of the Children Act 2004. The Care Act 2014 sets out a clear	Adequate	1	7	7	The High-risk recommendation relates to ensuring the public have access to the information to enable them to report safeguarding concerns for vulnerable

legal framework for how local authorities should protect children and adults at risk of abuse or neglect.					adults. The main focus of the other medium recommendations relates to ensuring the policies are up to date and reference current legislation and monitoring our progress with other agencies is completed, accurate and up to date.
Land Charges To gain assurance that there are adequate internal controls and procedures in place for the processing and monitoring of land charge searches and that they are charged for appropriately	Substantial	-	-	2	Land Charge procedural manual needs to be reviewed and updated as appropriate to reflect current working practices, ensuring business continuity and consistency. The transfer to the digitalised Local Land Charge Register is monitored and progressed to agreed timescales.
Taxi Licensing To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate issuance of Licenses for Hackney Carriages, Private Hire, and Operators within the Council.	Adequate	-	3	2	The recommendations include ensuring that the procedure for checking licences is followed consistently. Security of unissued plates and badges should be reviewed. The website link needs to be updated to the correct fees and a review of the cost recovery analysis should be planned to capture the implementation of Digital Journey.
VAT To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate treatment of VAT within the Council.	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit.
Port Assets and Maintenance To gain assurance that that the Council has robust	Substantial	-	-	5	The low-risk recommendations relate to ensuring value for money is obtained for all

procedures and guidance in place demonstrating appropriate policies with regards to the procurement and disposal of port assets and maintenance.					contracts. A review of the maintenance work schedule is required and ensuring that all documentation is retained for disposals of assets.
Housing Standards To gain assurance that that the Council has robust procedures and policies in place for all aspects of Private Sector Housing standards, Houses of Multiple Occupation, and caravan site licensing.	Adequate	-	2	1	The recommendations relate to ensuring procedures are up to date and followed and effective monitoring and reporting arrangements are updated and followed.
Housing Strategy To gain assurance that the Council has robust procedures in place, demonstrating appropriate treatment of applicants when applying for housing within the District. Included a review of the Choice Based Letting scheme and Housing Needs assessment.	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit.

* *Audits conducted by ARP partner authorities*

Agenda Item No:	9	Fenland CAMBRIDGESHIRE
Committee:	Audit and Risk Management Committee	
Date:	14 February 2022	
Report Title:	Corporate Risk Register Review	

1 Purpose / Summary

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

2 Key Issues

2.1 The Council's Risk Management Strategy ensures the effective maintenance of a risk management framework by:-

- embedding risk management across core management functions;
- providing tools to identify and respond to internal and external risk;
- linking risks to objectives within services and regularly reviewing these.

2.2 The Audit and Risk Management Committee has asked that the Council's Corporate Risk Register is reviewed and presented to it quarterly.

2.3 The latest Corporate Risk Register (**Appendix A**) is attached to this report.

3 Recommendations

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

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

1 Background / Introduction

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

2 Considerations

2.1 The Council has seven considerations when considering risk:-

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

2.2 Members and Officers share responsibility for managing risk:-

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

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

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

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

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

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

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

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

2.9 Risk awareness is embedded across the Council and it is important that risk awareness and management is integral to the Council's culture. To achieve this, risk awareness and training are important.

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

3 Changes to the Corporate Risk Register

3.1 The Risk Register has been reviewed by the Corporate Risk Management Group and Corporate Management Team, with all recommended changes highlighted in green. Additional actions taken to mitigate the impact of the Covid-19 pandemic situation have been incorporated into the Risk Register.

3.2 Mitigating actions and progress have been updated.

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

3.4 All updates are highlighted in green.

3.5 The register also includes some narrative around the Risk Management Process (at section 2); the Monitoring and Escalation Framework (at section 4); the Risk Appetite and tolerance levels; and a heat map showing all the residual risks at page 28.

4 Next Steps

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

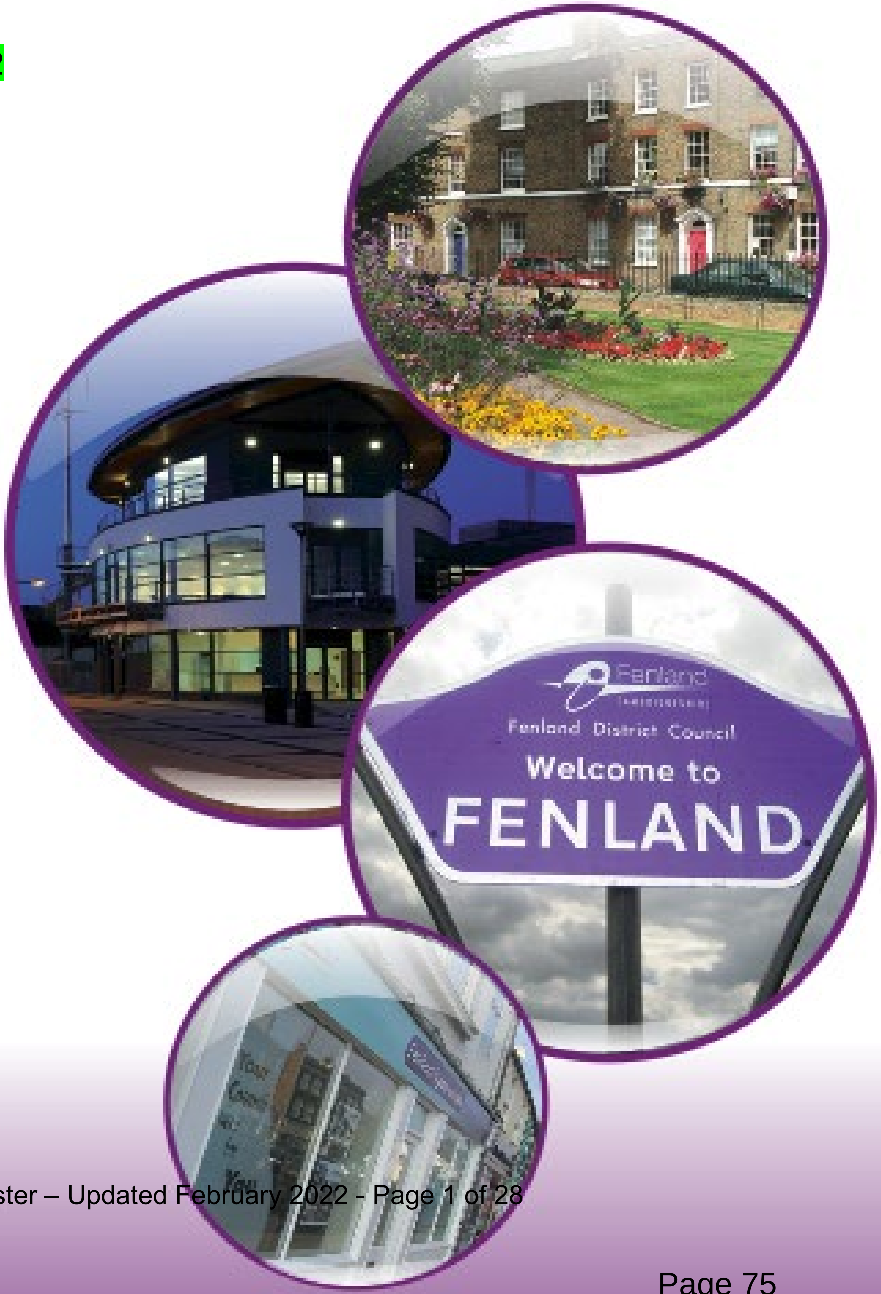
5 Conclusions

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

5.2 Regular review (and updating as appropriate) of the Risk Management Strategy and Corporate Risk Register will further build the assurance required above.

Corporate Risk Register

Reviewed and updated February 2022



1 Introduction

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

2 Risk Management Process

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

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

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

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

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

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

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

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

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

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

3. How Risks Are Scored

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

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

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

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

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

IMPACT x LIKELIHOOD = RISK SCORE

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

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

4. Monitoring and Escalation Framework

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

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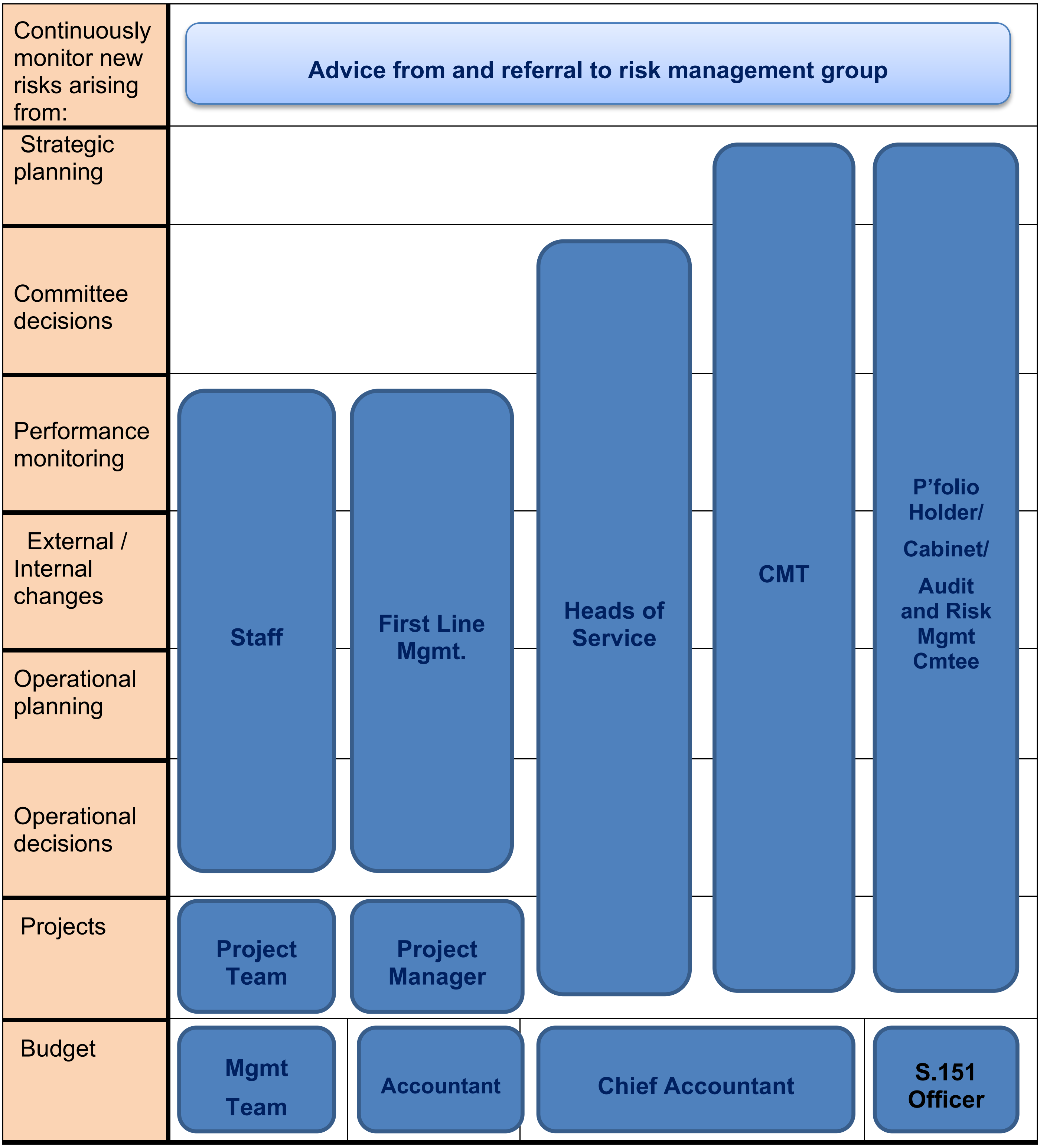


5.0 Risk Appetite and Tolerance Levels

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

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

Risk Appetite

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

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

Risk Tolerance

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

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

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

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

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

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

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

6. The Corporate Risk Register at a Glance

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

Ref	Risk	Risk if no action			Current risk			Page in this register
		Impact	Likelihood	Score	Impact	Likelihood	Score	
8	Funding changes make Council unsustainable	5	5	25	4	5	20	8
9	The Council's ability to cope with a natural disaster	5	4	20	4	4	16	9
3	Failure of contractors and suppliers working on the Council's behalf	4	4	16	3	4	12	10
4	Failure of IT systems	5	5	25	4	3	12	11
6	Breach of ICT security causes loss of service	5	5	25	4	3	12	12
16	Service provision affected by organisational change	4	5	20	3	4	12	13
17	Political changes in national priorities	5	4	20	3	4	12	14
1	Legislative changes	5	5	25	2	5	10	15
10	Major health and safety incident	4	4	16	3	3	9	16
11	Fraud and error committed against the Council	5	4	20	3	3	9	17
13	Failure of Governance in major partners or in the Council as a result of partnership working	4	5	20	3	3	9	18
14	Failure to achieve required savings targets	4	5	20	3	3	9	19
18	Capital funding strategy failure	5	4	20	3	3	9	20
19	Poor communications with stakeholders	4	5	20	3	3	9	21
20	Failure of the Council's Commercialisation and Investment Strategy	5	4	20	3	3	9	22
21	The Council's failure to deal with Covid and/or a pandemic situation	5	5	25	2	4	8	23
12	Failure of external investment institutions	5	4	20	2	4	8	24
5	Insufficient staff to provide Council services	4	5	20	2	3	6	26
7	Lack of access to Council premises prevents services being delivered	4	4	16	2	3	6	27
15	Over-run of major Council projects in time or cost	4	5	20	3	2	6	28

7 Corporate Risk Register

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
8	Risk: - Funding changes make Council unsustainable Effects: - Economic changes, imposed savings requirements, changes to local government funding systems, uncertainties of pilot pension fund. Financial management of NNDR, CTS leads to change in income /spending making Council unsustainable.	5	5	25	• S151/ Chief Finance Officer • Financial Regulations & Standing Orders • Appropriately trained staff • MTFS • Professional economic forecasts • Community consultation on service priorities • Our Council for the Future programme • Political decisions linked to budget strategies • CMT efficiency planning • Modernising Council Services transformation programme • Executive steer of service /capital priorities. • Review fees /changes. • Reserves • Financial Mgmt System • Budget monitoring.	4	5	20	Peter Catchpole **MS/NK**	• Using intelligence to model and plan for future changes and risks and move away from reliance on Govt funding to balance our budget. • Regular monitoring of current position and reporting to Members. • Workforce planning covers all scenarios. • Inclusion in national working groups, modelling and lobbying for funding system after RSG ceases. • Sharing Council's Efficiency Plan with the Government allows guaranteed multi-year grant settlement raising funding certainty. • Shared services and partnership working • Pursuing all opportunities for external funding • Commercial Investment Strategy	We are closely monitoring local government finance and the Council's current budget and Medium-Term Financial Plan reflects how the Council will balance its budget and maintain appropriate reserves. The Fair Funding Review and Business rate Retention Scheme are still 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. The Council has an agreed Commercialisation and Investment Strategy which will enable the Council to generate additional income. Each service is required to review and identify any opportunities for transformation, commercialisation and efficiency. The Council has now delivered Phase 2 of the 'Modernising Council Services' programme which is on target to deliver significant savings over the Council's current MTSP period. We have now started delivering the next phase of this transformation programme. 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 future financial deficit. The corporate budget for 2021/22 and the medium-term financial strategy will be presented to Council on 24th February.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
9	Risk:- The Council's ability to cope with a natural disaster or any emergency event Effects:- Natural disaster; malicious or accidental incident affects support required by civilians or disrupts existing Council services. Failure to maintain robust emergency planning	5	4	20	• Emergency plan • Emergency planning exercises beyond the district • Business continuity plans • Regular exercise and joint public sector workshops for Emergency Planning • Emergency Planning Communications Strategy • Review of approach with partner organisations as a result of lessons learned from 'near-miss' flood events. • Local Resilience Forum	4	4	16	CMT **SB/DV**	• 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 aa result of Covid-19, and all work places are Covid secure. •	Management Team conduct periodical exercise to test the Council's readiness for an emergency. 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. The Council will retain the use of each of the four Leisure Centres for rest centre sites. The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of an emergency. The Council's response to any emergency situation will complement and support the coordinated CPLRF and Public Sector response to any such incident. CPLRF are leading on the County's response to the current pandemic and key senior staff attend regular multi-agency briefing and planning meetings.

Reference	Risk and effects	Risk if no action Impact	Likelihood	Score	Mitigation	Current risk Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
3	Risk: - Failure of contractors and suppliers working on the Council's behalf, including the impact of the Pandemic Effects: - Failure of contractor or partners to deliver services or meet agreed performance objectives leads to additional costs or failed objectives.	4	4	16	• Procurement processes – including financial aspects/ contract standing orders/ equality standards • Contract process – creation of robust contracts • Accountability and risk ownership documented • Service Level Agreements • Contract monitoring • Trained/skilled staff • Project management • Relationship Management • Business Continuity Plans	3	4	12	CMT **All Mgrs**	• Regular monitoring of contracts and performance by Managers. • Ensure that contracts have risk registers and mitigation in event of contract failure. • Ensure all contractors have reviewed and refreshed their business continuity arrangements and plans in light of the pandemic • Individual Council services share their own contingency to cover for contractor failure, and this is part of the Business Continuity Plan for each Service Area. • Potential contractors and suppliers are always checked for financial stability and business continuity by the Accountancy/ Procurement teams before contracts are let.	FDC's Contract Manager manages/monitors the performance of the main Grounds Maintenance contract and the Leisure Service contract. All other shared services/contracts have a full review and governance process in place to ensure ongoing delivery and performance standards. The Leisure service (outsourced) 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. As we emerge from the pandemic, financial support to Freedom will ease as they return to pre-Covid levels of income to the centres. A promising start has been made since reopening following lockdown. Refresher training on procurement to be delivered to all awarding managers Process of due diligence checks to be implemented for all relevant contracts and/or suppliers

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
4	Risk: - Failure of IT systems Effects: - Failure to secure and manage data leads to loss of/ corruption of / inaccuracy of data, results in disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.	5	5	25	• Data protection policy and procedure • Freedom of Information publication scheme • Data retention policy and procedure for archive and disposal • Information breach response plan • Monitoring Officer role comprises Senior Information Risk Officer function • Business continuity plans • ICT system security • Public Services Network compliance • Paperless office project • Countywide information sharing framework	4	3	12	Carol Pilson / Peter Catchpole **SB/AB**	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Regular review of business continuity plans • Disaster Recovery testing is undertaken at regular intervals • Additional ICT resource has been recruited	An additional internet feed to Fenland Hall has been installed to improve resilience. The likelihood score reflects the increase globally of cyber crime The Council’s internet and email protocols have been updated. All Council employees are undertaking Cyber security training 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 Further resilience has been built into the remote access infrastructure.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
6	Risk: - Breach of ICT security causes loss of service Effects: - Major IT physical hardware failure or electronic attack, such as viruses, hacking or spyware, causes disruption to services and breaches of security. A further consequence could be financial penalties and reputational risk.	5	5	25	• Anti-virus software • Geographically distributed servers • Tested disaster recovery plan • Back-ups stored off site • Secondary power supply • Revised security policies • Critical services' business continuity plans include manual operation	3	4	12	Peter Catchpole **SB/AB**	• Effective auditing of systems and data held. • Data backed-up securely off-site. • Regular penetration testing. • Likelihood of a breach is reduced by above mitigation	The Council has subscribed to the National Cyber Security Centre's (NCSC) Web Check service that helps public sector organisations fix website threats. This service regularly scans public sector websites to check if they are secure. NCSC have advised that the Fenland Council site is secure. Council IT systems and website are as secure as possible with current anti-attack software and processes up to date. When vulnerabilities are made known by software vendors, software is updated to reduce the risk of malicious attack. The likelihood score reflects the increase globally of cyber crime All Council employees are currently undertaking Cyber security training. Elected Members to undergo GDPR refresher training

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
16	Risk:- Service provision affected by organisational change. Effects:- Service provision and performance affected by organisational change, industrial action and/or staff sickness resulting in complaints, poor performance and possible further costs.	4	5	20	• Working environment / org culture • 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 **All Mgs**	• Robust management of all organisational change. • Business continuity plans for each service. Culture of Council remains effective • Workforce planning, which includes succession planning for key roles an talent management • A comprehensive programme of health surveillance for groups of employees who work in certain service areas (e.g. refuse drivers, workshop, port staff, etc.) • Trained Mental Health First Aiders in place • Stress awareness training • Resilience training • Staff engagement and consultation processes • Likelihood is reduced based on mitigating actions	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. 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. The Council has a health and wellbeing programme in place which supports the existing suite of Policies, Codes of Practices and processes, this includes a wide range of support to help promote and encourage their good health and wellbeing, such as: • A dedicated Occupational Health Advice and guidance support service available for all colleagues • Access to a health care plan for all employees (at nil cost to the Council) to enable financial support to access a wide range of health care specialists and interventions (e.g. chiropractic services, dental treatment, acupuncture, reflexology, chiropody etc.) • A confidential Employee Assistance Programme (EAP), which provides a counselling service to staff where needed. • A dedicated online platform offering a wide range of support and advice for all employees of a comprehensive range of issues. Actions agreed from the most recent wellbeing survey include: • All managers will be invited to attend a two-day Mental Health First Aid course • All employees will be invited to a half-day Mental Health Awareness course • All new employees will be required to attend the training as part of their induction to the Council. • Upskilling our managers to assist in the management of a remote workforce and support the wellbeing of their teams

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
17	Risk:- Political changes in national priorities Effects:- Changes in national political priorities may result in immediate changes that require additional resource to achieve and fail to reflect priorities determined by consultation.	5	4	20	• Financial & workforce planning • Monitoring by CMT and resultant Cabinet reports • Clear corporate planning and regular performance monitoring • Effective service & financial planning • Respond to national consultation on key policy changes • Membership of LGA as a Council Outside Body	3	4	12	Paul Medd	• Understanding and acting on intelligence from LGA, CIPFA and other local government sources. • Resources identified, approved and implemented without delay. • Constant monitoring • Horizon scanning via professional bodies • Joint/collaborative working	The likelihood of legislative change remains high due to the current ongoing pandemic situation.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
1	Risk:- Legislative changes/ significant legal challenge Effects:- Changes arising from Central Government or EU legislation requiring significant alteration to organisational capacity, such as impact of welfare reform and universal credit, effects of devolution, introduction of new burdens. Risk of GDPR breach and ICO sanction/fine Risk of administrative or other challenge in relation to the Council's overall governance/acts/ omissions.	5	5	25	• Monitoring Officer • Horizon scanning by Legal/CMT/Mgt Team • Service Manager responsibilities • Financial & workforce planning • Membership of professional/ Local Govt bodies aids horizon scanning • Mgmt of change approach to mitigate significant impact to the organisation and its staff • Detailed project plans to change implementation • Respond to consultations on new legislation • Insurance	2	5	10	Carol Pilson **AB**	• 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. •	Officers continue to horizon-scan for legislative changes and their effects. The Council has in house senior legal advice as well as through its links with external organisations such as EM Lawshare and PCC Legal. Specialist external advice will be sought in relation to complex/technically challenging matters as appropriate. The Council has compiled an Information Asset Register of all records it holds in both paper and electronic form, worked with IT system suppliers and conducted a staff awareness campaign to ensure that staff understand and are compliant with GDPR. The majority of information held by the Council is held with a legal basis for holding such as election and Council Tax records. All staff undergo GDPR training, and opportunities for further Member training in this area are currently being explored The Council now has a dedicated GDPR Officer, and each service is required to have a dedicated GDPR lead Waste and Resources Strategy (Environment Bill) changes to waste collection and treatment to the corporate risk register. These changes lack full detail as yet, this is expected early 2022, but it will involve changes in how we are funded and what is expected of us as a local authority. The lack of clarity is part of the risk at present. The Elections Bill 2021 includes additional requirements relating to: Voter identification; Postal and Proxy voting measures; Clarification of undue influence; Accessibility of Polls; Overseas Electors; EU Voting and Candidacy Rights; The Electoral Commission; Notional Expenditure; Political Finance; Intimidation: New Electoral sanction; and Digital Imprints.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
10	Risk: - Major health and safety incident Effects: - Major Health & Safety incident at Council leads to costs for inquiry, disruption to service and possible prosecution	4	4	16	• Health & Safety (H&S) Panel • All service areas are represented at H&S Panel, and raise H&S issues as required • H&S procedures – addressed at every service area • H&S audits in all services • Specialist H&S advisor • Corporate wide H&S training • Insurance • Aligned Port Health and Safety arrangements • Port Management Group and annual independent audit • Robust sickness management processes	3	3	9	CMT **DV**	• 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	A thorough Health and Safety regime at the Council ensures that the residual risk remains carefully managed Programme of targeted health and safety refresher training is in place as per service specification. Health and Safety performance is monitored regularly, and accident statistics remain low. 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. Flu jabs are being provided for employees Feasibility work is ongoing in relation to emergency moorings near to Cross Keys Bridge.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
11	Risk: - Fraud and error committed against the Council Effects: - Potential for fraud, corruption, malpractice or error, by internal or external threats. In additional to immediate financial loss, this could harm reputation and lead to additional inquiry costs and penalties.	4	4	16	• Anti-fraud & corruption policy/ strategy • Financial Regulations / Standing Ord • Codes of conduct • Appropriately trained staff • Appropriate culture and risk awareness • Segregation of duties • Supported financial mgt system • Budget monitoring regime • Internal Audit review of sys /and controls • Bribery & corruption / fraud risk assessments • Indemnity insurance • Whistle-blowing procedure • Annual Governance Statement • ARP fraud resource • National Fraud Initiative	3	3	9	Peter Catchpole / Carol Pilson **KW**	• 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 Business Grants processes	The likelihood reflects the number of additional grants the Council is now administering as a result of the pandemic. The Council is working with the NFI on assurance. The Council has assisted with each annual National Fraud Initiative, cross-matching information with records held nationally. The Fraud team within the Anglia Revenues Partnership (ARP) continue to work on this area. The Council's Anti-Fraud and Corruption Strategy is currently being reviewed. A fraud awareness training programme for all staff is being finalised and is planned to be delivered virtually. The Council's ICT systems have also been reviewed and updated to provide better protection against potential fraud – please see risk 6 (Page 21) We have started carrying out Post Payment Assurance in relation to Covid grant payments. This process will be proportionate to the grant value versus the cost of the check itself. These checks will be sufficient to allow us to be confident that the business met all relevant scheme criteria at the point of award of a grant.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
13	Risk:- Failure of Governance in major partners or in the Council as a result of partnership working Effects:- Partnership governance not adopted or followed, leading to unachieved priorities and poor performance by major partner agencies:- Cambs and Peterborough Combined Authority, Anglia Revenues Partnership, CNC Building Control, Shared Planning, CCTV	4	5	20	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 **All Mgrs**	• Assurance that governance models correctly followed and in the Council's interests. • Support Members in governance of partnership bodies. • Ensure that the Council's interests are protected as Members of the Combined Authority and as Officers working on joint projects. • Ensure all Partners have robust Business Continuity Plans in place • GDPR compliance • Robust ICT governance processes	The Annual Governance Statement being reported to Corporate Governance Committee shows the Council is in a strong governance position. Scrutiny of ARP and Planning takes place on an annual basis and Cabinet members sit on Boards to ensure the effective delivery of partnership arrangements such as CNC Board for building control. 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.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
14	Risk:- Failure to achieve required savings targets Effects:- Failure to achieve efficiency saving, maximise income, or performance targets, results in greater than budgeted costs and potential risk of Council not being able to set a balanced budget.	4	5	20	- Heightened analysis of budgets and services by CMT - Implement Service Transformation - Implement Procurement Strategy - Corporate plan - Pursue action to increase income streams - Performance Management Framework - Budget and performance monitoring - Robust Workforce planning - Project Management processes - Our Council for the Future programme - Modernising Council Services transformation programme	3	3	9	CMT **MS/NK**	- 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	Delivery of Council Efficiency targets continue including delivering savings planned for in the Council's annual budget and medium-term financial strategy. Cabinet have considered the Council's projected positive financial outturn position. The Council has now delivered Phase 2 of the 'Modernising Council Services' programme which is on target to deliver significant savings over the Council's current MTSP period. We have now started delivering the next phase of this transformation programme. 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 future financial deficit 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. The outcome of this project could deliver 'cost avoidance' opportunities in respect of required repairs.

Reference	Risk and effects	Risk if no action Impact	Likelihood	Score	Mitigation	Current risk Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
18	Risk:- Capital funding strategy failure Effects:- Financial risks of capital funding shortfalls leading to increased burden to the Council. Potential for marginal deficit in capital program if future funding is not realised	5	4	20	• Asset Mgmt Plan • Asset disposal linked to capital programme • Corporate Asset Team • CMT monitoring of capital receipts/effect on capital programme • Regular Cabinet review of the capital programme, member with responsibility for assets • Additional funding opportunities identified and pursued where possible • Project lead monitors site valuations linked to econ' dev' proposals. • Marketing and identification of potential land purchasers, flexibility of planning guidance aligned to market needs • Continued consultation with econ partners	3	3	9	Peter Catchpole **MS/NK**	• Forward planning and horizon scanning. • Regular high-level monitoring of direction of travel and mitigation required. • Asset Management Plan. • Asset Disposal Strategy.	The Council's capital funding programme is regularly reviewed by Officers and by Cabinet. The current projected funding deficit will be met by borrowing and the relevant annual financing cost has been included in the Council's Medium Term Financial Plan. Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure. Reviews of the programme and resources available are carried out regularly during the year.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
19	Risk:- Poor communications with stakeholders Effects:- Poor communication with stakeholders and staff leads to poorly informed direction of resources and lack of support for change Reputational damage Staff turnover Increased sickness absence	4	5	20	• Internal and external regular publications • Staff and management meetings • Regular staff communication from the Chief Executive • Key stakeholder networks for consultation • Forums for perceived hard to reach groups • Co-ordinated press releases • Comments, Compliments and Complaints monitoring and reporting procedure • Customer Service Excellence accreditation • Consultation strategy • MTSP	3	3	9	Carol Pilson **DW/SA**	• CSE Action Plan. • Staff survey and Wellbeing 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	The Council’s CSE performance is assessed each year by an external expert. The Council has a dedicated project team to ensure ongoing progress against CSE requirements/actions across all service areas to ensure consistent and effective communication to our customers. All change projects are supported by a robust project management approach, which includes a communication programme to ensure that stakeholders are fully informed. The ongoing Covid-19 pandemic had led to increased and improved communication mechanisms and methods Introduction of the Chief Executive’s vlog to provide staff with updates on Council projects, share information about the organisation and its day-to-day business, and to be used as an opportunity to answer questions.

Reference	Risk and effects	Risk if no action Impact	 Likelihood	 Score	Mitigation	Current risk Impact	 Likelihood	 Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
20	Risk:- Commercial uncertainties associated with decisions taken as part of the Council's Commercial and Investment Strategy. Effects:- Reputational damage Financial loss Impact on services, staff and community	5	4	20	• Robust oversight and governance arrangements • Expert professional advice • Robust budget management • Thorough project management and business cases process	3	3	9	CMT	• All governance requirements have been put in place and will be robustly reviewed going forward • Fenland Future Ltd (FFL) has been constituted, with all appropriate governance requirements in place • Dedicated external expert resources are identified and procured to support where required • Annual audit on all governance arrangements	This risk will be closely monitored to enable any new actions for mitigation to be identified and put in place. The Council's Commercial and Investment Strategy has a scoring matrix to inform all potential investment opportunities, which are considered fully by the Investment Board before they are ratified. 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. FFL's Business Plan is in the process of being produced and will need to be agreed and signed off by the Investment Board

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
21	The Council's failure to deal with Covid and/or a pandemic situation Includes the adverse impact on all aspects of service delivery	5	5	25	- Additional resources - Covid Gold group - Working with key partner agencies (Public Health, CPLRF, ARP etc.) - Supporting delivery of Business grants and self -solation payments - Agile working, 60% of staff are home-work enabled, and all services have split into 'bubbles' to maintain resilience and business continuity - ICT infrastructure - Ongoing communications to public and workforce	2	4	8	CMT	- Regularly test Emergency Plan - Test Service Business Continuity Plans - Ensure key emergency planning staff attend regular liaison meetings and training - Ongoing management response group and regular conference call and action planning - Support vaccination programmes - Enduring transmission programmes - Additional temporary resources have been identified to support key services	The Council has implemented a rota for senior officers to be 'on call' at Gold (Strategic), Silver (Tactical) and Bronze (Operational) levels in the event of an emergency. The Council's response to any such situation will complement and support the coordinated CPLRF and Public Sector response to any such incident. CPLRF are leading on the County's response to the current pandemic and key senior staff attend regular multi-agency briefing and planning meetings. We are actively recruiting to fixed-term posts within Environmental Services to ensure staff resilience.

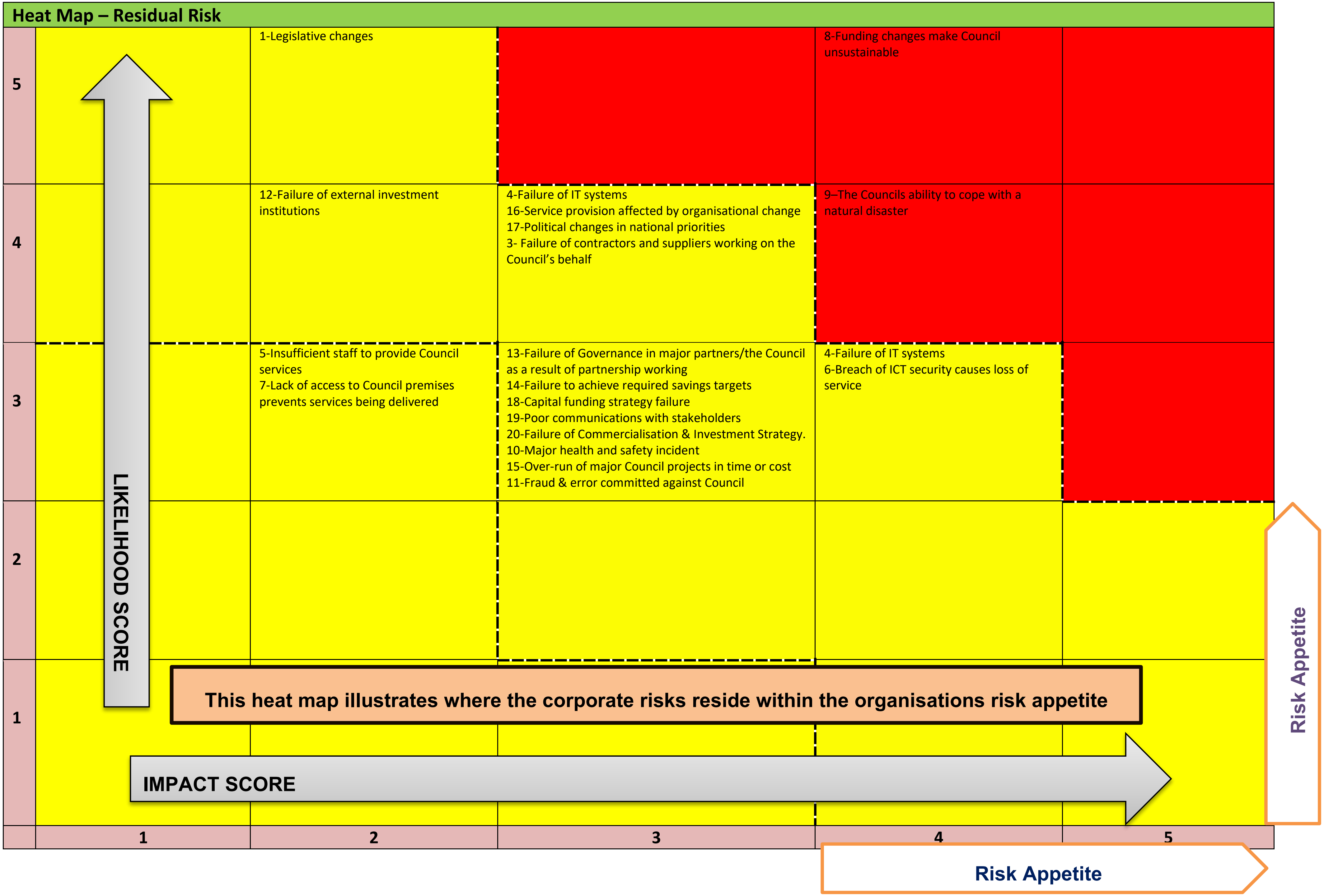
Reference	Risk and effects	Risk if no action Impact	Likelihood	Score	Mitigation	Current risk Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
12	Risk:- Failure of external investment institutions Effects:- Failure of external investment institutions affecting availability of funds or return on investment reducing cash flow and resource availability	5	4	20	• Policy for maximum investment/ borrowing levels limits liability • Credit ratings • Financial management • Reserves • Insurance • Medium Term Financial Strategy Treasury Management Strategy	2	4	8	Peter Catchpole **MS/NK**	• Effective Treasury Management strategy. • Robust auditing of processes and policies.	The Council's treasury management position is regularly reviewed and is currently showing a good position. The Treasury Management Strategy was considered is currently being reviewed. Updates are provided to Cabinet and Council on a half-yearly basis.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
5	Risk:- Insufficient staff to provide Council services Insufficient leadership and/or management capacity to deliver Council priorities Effects:- Constraints to effective workforce planning lead to poor standards of service or disruption to service. Service transformation and commissioning can help build resilience but could also lead to a loss of qualified and knowledgeable staff, which exposes the council to risk of service failure and legal challenge.	4	5	20	• Learning & Development framework / Training • Working environment /culture • Staff Committee • MTSP • Flexible working • Established suite of people policies & Procedures • Business continuity plans • Management training • 121s /Springboard staff development and appraisals • Service planning process • Access to interim staff via frameworks • Effective sickness management • Effective Governance structures	2	3	6	CMT **SA/All Mgrs**	• Ensure all services have effective Workforce plans incorporated into Service Plans, which ensure all work is prioritised • Effective succession planning. • Effective use of project management approaches/ principles when delivering priorities/ strategies	All services have published service plans, learning requirements and workforce plans to ensure teams are staffed according to current establishment and to take account of priorities and longer-term trends. 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. 92% of office-based staff have the necessary equipment to be able to work from home, which will maintain the delivery of a significant number of Council services. Other key/priority services have individual Business Continuity measures in place to maintain service delivery. A mapping exercise of all key processes is continuing to automate and e-enable where possible to increase and further improve Council resilience. Aware of potential skills shortages in HGV drivers but this is not currently an issue here. We will continue to monitor this.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
7	Risk:- Lack of access to Council premises prevents services being delivered Effects:- Disruption of service provision.	4	4	16	• 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 **SB DV AG**	• Regularly test Emergency Plan • Test service Business Continuity Plans • Ensure key emergency planning staff attend regular liaison meetings and training • Provision of 'drop down' facilities for staff	Emergency plans – ongoing programme of review, testing and training of staff involved in a response Plans regularly checked and tested with emergency planning exercise conducted at intervals. Improved ICT systems provide better/increased opportunities for remote/agile working 92% of office-based staff have the necessary equipment to be able to work from home, with access to Council systems, which allows us to maintain the delivery of Council services. All key/priority services have individual Business Continuity measures in place to maintain service delivery. 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. 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.

		Risk if no action				Current risk					
Reference	Risk and effects	Impact	Likelihood	Score	Mitigation	Impact	Likelihood	Score	Risk Owner	Actions being taken to managing risk	Comments and progress of actions
15	Risk:- Over-run of major Council projects in time or cost Effects: - Failure to manage projects effectively leads to overruns on time or cost and failure to achieve project aims. Reputational damage	4	5	20	• 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	• 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	The likelihood rating reflects the ongoing pandemic situation and the impact of this. Effective project management remains a Council priority. Major projects are closely monitored by CMT and Cabinet members and progress is reported to Council via Portfolio Holder briefings. These include Future High Street Fund, Levelling Up Fund, etc.) 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. The Council has now delivered Phase 2 of the 'Modernising Council Services' programme which is on target to deliver significant savings over the Council's current MTSP period. We have now started delivering the next phase of this transformation programme.

Heat Map – Residual Risk



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

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

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22 – 2022-23

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
14 February 2022	Auditor Annual Report 2020-21	Annual	External Audit	To note the independent external auditors, Ernst &Young (EY), Annual Audit Letter
	External Audit Appointment Process	5 Year	Kathy Woodward	To update members on the procedure for appointing External Auditors and to recommend the approach for 2023/24 – 2028/29 to be considered by Full Council. This process needs to be completed by 11 March 2022.
	Treasury Management Strategy Statement, 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	Stephen Beacher	To review and approve the quarterly risk register.
14 March 2022	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
	Annual Governance Statement update	Progress report	Kathy Woodward	To review progress on the AGS action plan
	Risk Management Strategy and Corporate Risk Register	Annual	Stephen Beacher	To consider and note the annual review of risk management and corporate risk register.
June/ July 2022	RIPA Annual Update	Annual	Amy Brown	To review and note the use of RIPA in the previous year.
	Treasury Management Annual Review 2021-22	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.

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22 – 2022-23

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
	Draft Statement of Accounts 2021-22	Annual	Mark Saunders	To review and note the draft Statement of Accounts
	Annual Governance Statement 2021-22	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 2021-22	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
	Audit and Risk Management Committee Annual Report 2021-22	Annual	Kathy Woodward	To approve the report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work.

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

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

Audit and Risk Management Committee Training sessions 2021/22

Introduction to ARMC	June 2021
Statement of Accounts	July 2021
Risk Management Training	November 2021
External Auditor Appointment Process	February 2022

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22 – 2022-23

Audit and Risk Management Committee Action Plan

Title	Comments	Due by	RAG
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
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	21 June 2021	Ongoing

Abbreviations Used in Audit & Risk Management Committee

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