



Agenda

Audit and Standards Committee

Date:	Thursday, 10 November 2022 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor Ellie Gaunt (Chairman) Councillor Ed Nash (Vice-Chairman)</p> <p>Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Will Harris, Paul Hayhurst, John Singleton JP.</p>

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 21 July 2022 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 23(c).	1
	AUDIT DECISION ITEMS:	
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6	Mid-Year Prudential Indicators and Treasury Management Monitoring Report 2022/23	24-37
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8	Regulation of Investigatory Powers Act 2000: Authorisations	45

Contact: Democracy – Email: democracy@fylde.gov.uk

The code of conduct for members can be found in the council's constitution at

<http://fylde.cmis.uk.com/fylde/DocumentsandInformation/PublicDocumentsandInformation.aspx>

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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF GOVERNANCE	AUDIT AND STANDARDS COMMITTEE	10 NOVEMBER 2022	4
REMOTE PARTICIPATION IN MEETINGS			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The council's procedure rules presently allow a councillor to apply to participate remotely in a council or committee meeting, to the extent that the law allows, if they give a week's prior notice and if they reasonably believe that attending in person would affect their wellbeing. The Constitution Review Working Group has put forward changes to the relevant rule which would:

Extend the rule so that it applies to all committees, not just ones that the councillor wanting to attend remotely is a member of;

Shorten the notice period; and

Replaces the 'wellbeing' criterion with one relating to disability.

RECOMMENDATION

Recommend that the council adopt the revised council procedure rule set out in the report in place of the existing council procedure rule 2 in part 4 of the constitution.

SUMMARY OF PREVIOUS DECISIONS

None relevant

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

1. The Constitution Review Working Group has been considering changes to the council's constitution which will need to be in place for the next municipal year, when the council size will reduce to 37 councillors and it is

expected that a new committee structure, including overview and scrutiny committees, will be introduced. The full recommendations of the working group will be reported to the committee early in the New Year, in readiness for adoption by the council and eventual implementation in May 2023.

2. This report concerns one specific recommendation, which does not arise directly from the change in council size or the change in committee structures and which the working group consider can and should be implemented as soon as practicable. The change is to the arrangements for councillors to participate in council and committee meetings remotely.
3. In England, the law does not allow¹ a councillor who is not physically present at a meeting to be counted as being at the meeting. This means that a member accessing the meeting remotely (for example by Zoom) may not (among other things) move or second a motion, raise a point of order or vote. This can't be altered by the council's rules or constitution. However, the council's procedure rules can and do allow councillors to participate in council and committee meetings in certain circumstances to the extent allowed by the law, for example by speaking in meetings. The proposed changes would broaden the circumstances in which the rules allow a councillor to remotely participate in that way in a meeting.
4. Council procedure rule 2 presently allows a councillor to participate remotely (to the extent the law allows) in a meeting of the council or of a committee of which the councillor is a member if they reasonably believe that attending in person would be detrimental to their wellbeing, provided that the councillor has given a weeks' prior notification of wanting to attend the meeting and the chairman consents.
5. The proposed changes would reduce the notice period from a week to three working days and would change the criterion to one based on disability, rather than on detriment to wellbeing. The changes would also mean that a councillor could attend remotely under the rule at a meeting of a committee of which they are not a member (as councillors can do in person), and would extend the ability to attend remotely to exempt items. Finally, the limit of two members attending remotely at any meeting would be retired.
6. The revised rule also clarifies the position about substitutes and interests.
7. The present rule is set out below, with the proposed changes shown. Wording removed is struck through, and new wording is underlined and shown in square brackets.:

2.1. Arrangements for remote attendance

(a) ~~Subject to 2.3 and 2.4, the~~ chairman may make arrangements to allow (as far as the law permits) a member ('M') to participate in a meeting of the council including any committee ~~(s) of which that Councillor is a member~~, if the following circumstances apply

(i) M has notified the Deputy Chief Executive in writing no later than ~~one week~~ [the third working day] before the meeting of their wish to participate remotely; and

(ii) M [has notified the Deputy Chief Executive in writing that M has a disability which may prevent M from] reasonably ~~believes that it would be detrimental to their physical or mental wellbeing~~ [being able] to attend the meeting in person.

(b) Any arrangements must ensure so far as possible that any person attending the meeting is able to hear M's contributions as easily as those of members attending in person.

[(c) M has a disability for the purposes of this rule if M has a disability for the purposes of the Equality Act 2010.]

[(d) For the avoidance of doubt, at a meeting that M is attending remotely M may not move or second motions or amendments and may not vote or do any other thing that the law only allows to be done by a councillor who is physically present.]

¹ Temporary legislation introduced during the coronavirus pandemic did allow meetings to be held wholly or partly remotely, but that legislation has lapsed.

2.2 Substitutes

M may be represented by a substitute under rule 22 or 23 [at a meeting of a committee of which M is a member] but not by remote access means. [The substitute for M would be entitled to participate in the meeting in the same way as members of the committee physically present.]

~~2.3 Exempt and confidential items~~

~~M may not participate remotely in any part of a meeting in which the public have been excluded under section 100A of the Local Government Act 1972.~~

~~2.4 Maximum number of members participating remotely~~

~~The maximum number of members who may participate remotely in a council meeting is 2.~~

[2.3 Interests

- (a) For the purposes of any provision in a code of conduct relating to the declaration of interests, M will be deemed to be present at a meeting in which M is participating remotely.
- (b) M may not participate remotely in any part of a meeting where the business being discussed is business in which M has or should have made a declaration of a disclosable pecuniary interest or a prejudicial interest.]

IMPLICATIONS	
Finance	None
Legal	See below under 'Human Rights and Equalities'
Community Safety	None
Human Rights and Equalities	The changes proposed are intended to better address the council's obligations under equalities legislation, and in particular the public sector equality duty.
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

LEAD AUTHOR	CONTACT DETAILS	DATE
Ian Curtis	ian.curtis@fylde.gov.uk & Tel 01253 658506	28 October 2022

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Lead author's notes from Constitution Review Working Group		Town Hall, Lytham St Annes

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEPUTY CHIEF EXECUTIVE	AUDIT AND STANDARDS COMMITTEE	10 NOVEMBER 2022	5
INTERNAL AUDIT PROGRESS REPORT			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

This report provides an update to the Audit & Standards Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and 2022/23 and draws attention to matters relevant to members responsibilities.

RECOMMENDATION

1. To receive, consider and comment on the Internal Audit Progress Report which is attached to this covering report.
2. To approve and change the timing of the Payroll Review and the Freedom of Information and Subject Access Requests Review from Quarter 3 to Quarter 4.

SUMMARY OF PREVIOUS DECISIONS

Internal Audit Plan 2021/22 approved by the Audit and Standards Committee on 15th July 2021.

Internal Audit Plan 2022/23 approved by the Audit and Standards Committee on 17th March 2022.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

1. The attached report has been prepared by the Council's internal auditors, MIAA. It provides an update to the Audit and Standards Committee in respect of the assurances, key issues and progress against the Internal Audit Plans 2021/22 and 2022/23. Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request.
2. MIAA will present the report to the meeting.

IMPLICATIONS	
Finance	No implications
Legal	No implications
Community Safety	No implications
Human Rights and Equalities	No implications
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	No implications

LEAD AUTHOR	CONTACT DETAILS	DATE
Louise Cobain	louise.cobain@miaa.nhs.uk	October 2022

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Plan	15 July 2021	Internal Audit Team
Internal Audit Plan	17 March 2022	Internal Audit Team

Attached documents

Internal Audit Progress Report

Internal Audit Progress Report Audit & Standards Committee (November 2022)

Fylde Borough Council

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Appendix D: Follow-up of Previous Audit Actions

Appendix E: Assurance Definitions and Risk Classifications

Your Team

Name	Role	Contact Details
Louise Cobain	Engagement Lead	Louise.Cobain@miaa.nhs.uk 07795 564916
Fiona Hill	Engagement Manager	Fiona.Hill@miaa.nhs.uk 07825 592842

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

1 Introduction

This report provides an update to the Audit and Standards Committee in respect of the progress made in against the Internal Audit Plans for 2021/22 and also 2022/23 and brings to your attention matters relevant to your responsibilities as members of the Audit and Standards Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit and Standards Committee.

This progress report covers the period 12 July – 24 October 2022.

2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews	<p>Since the previous Audit and Standards Committee, the following reviews have been finalised:</p> <ul style="list-style-type: none">• Key Financial Controls (Substantial Assurance)• NNDR and Council Tax (Substantial Assurance)• Section 106 Planning (Moderate Assurance) <p>We have also completed reasonable checks on the Local Authority Test and Trace Support Payment Scheme Funding submission to ensure that conditions of the fund were met. Along with providing advice on the Energy Grant Discretionary Payments.</p> <p>Refer to Appendix C for details of Key Areas and Actions to be delivered.</p> <p>The reviews below are currently at draft report stage or are in progress:</p> <ul style="list-style-type: none">• Data Sharing Protocols (draft report)• Property Repairs and Maintenance (work in progress)
2022/23 Audit Reviews	<p>The following 2022/23 reviews are progressing in fieldwork stage:</p> <ul style="list-style-type: none">• Cyber Security and Mobile Devices Follow-up Review (verbal update to be provided to the Committee)• Conflicts of Interest• Homelessness• Apprenticeships <p>The following 2022/23 reviews have agreed Terms of Reference and are due to start imminently or are being scoped:</p>

	<ul style="list-style-type: none"> • Budgeting • Prevent Duty • Key Financial Controls • Freedom of Information and Subject Access Requests <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2022/23.</p> <p>Appendix B provides information on Internal Audit performance.</p>
Follow Up	<p>A summary of the current status of follow-up activity is included in Appendix C, however, we would draw the committee's attention to the following:</p> <ul style="list-style-type: none"> • Progress has been made in the completion of outstanding actions from Moderate and Limited assurance reports issued by the previous audit team, these actions were not risk rated. 61 out of 75 actions have been completed. Of the remaining 14 actions, 10 are in progress with a further two actions either not started or postponed. • A separate table details the actions arising from MIAA reports including risk ratings. Of the outstanding 26 actions 19 are not yet due.
Audit Plan Changes	<p>Audit and Standards Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"> • We have used Contingency to complete reasonable checks on the Test and Trace Support Payment Scheme Funding Grant submission and ensure that conditions of the fund were met. We have also provided some advisory work on the Energy Support Grant Discretionary Payments. • We propose to reschedule the Payroll – Blackpool Controls review from Quarter 3 to Quarter 4. This is due to a new payroll computer system being introduced in Quarter 3. • We propose to reschedule the Freedom of Information and Subject Access Requests from Quarter 3 to Quarter 4. This is due to resourcing challenges at the Council.
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. Public Sector Internal Audit Standards (PSIAS) require MIAA to 'develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.' This programme must include internal and external assessments.</p>

	<p>External assessments must be conducted at least once every five years. Our last external assessment was completed in 2020 and concluded MIAA fully complies with PSIAS (as previously reported to Audit Committee).</p> <p>We also undertake regular internal assessments to ensure our ongoing compliance with requirements. We have recently completed our annual self-assessment of compliance with PSIAS and can confirm full compliance with PSIAS.</p>
Insights	<p>Collaborative Masterclass Events</p> <ul style="list-style-type: none">• <u>Digital as Disrupter (24th November 2022)</u>• <u>The Psychology of Leading High Performance Teams (8th December 2022)</u>• <u>Leading for Social Justice and Health Equality (2nd February 2023)</u>

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2022/23:

HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	Qtr 4	
Risk Based Assurances		
Payroll – Blackpool Controls	Qtr 4	
Homelessness	In progress	
Freedom of Information and Subject Access Requests	Planning (fieldwork to be moved to Qtr 4)	
Cyber Security and Mobile Devices Follow-up	In progress	
Conflicts of Interest	In progress	
Budgetary Controls	Planning	
Prevent Duty	Planning	
Apprenticeships	In progress	
Key Financial Controls	Planning	
Planning System Post Implementation	Qtr 3	
Externally Managed Events	Qtr 4	
Recruitment	Qtr 4	
Kirkham Regeneration	Qtr 4	
Follow-Up		
Quarter 1	Complete	
Quarter 2	Complete	

HOIA Opinion Area	Status	Assurance Level
Quarter 3	Qtr 3	N/A
Quarter 4	Qtr 4	

2021/22 Audit Reviews

Property Repairs and Maintenance	In progress	
Data Sharing Protocols	Draft Report	
NNDR & Council Tax	Completed	Substantial
Key Financial Controls	Completed	Substantial
Section 106	Completed	Moderate

Management

Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
Planning and Management		
Reporting and Meetings		
Contingency	Resource used to perform Local Authority Test and Trace Support Payment Scheme Funding Opinion and Energy Grant Advisory work.	N/A

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Questionnaire issued with each audit report.
Percentage of recommendations raised which are agreed	Quarterly	Green	Actions agreed by the Council on all recommendations raised.
Percentage of recommendations which are implemented – reports issued pre April 2021.	Quarterly	Amber	Most recommendations have been implemented or are in progress. However, there are still some outstanding from reports issued before 2020.
Percentage of recommendations which are implemented - reports issued post April 2021	Quarterly	Green	Recommendations not yet due for follow up have been completed or are in progress.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Key Financial Controls			
Executive Sponsor	Chief Financial and Section 151 Officer			
Objective	To provide assurance that the most significant key controls within the systems of general ledger, accounts payable and accounts receivable are appropriately designed and operating effectively.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	3 x Medium	5 x Low
Summary	<p>Overall, the review identified that controls were generally well designed and operating effectively.</p> <p>There was segregation of duties and management oversight within the purchasing system and reconciliation of the sales and purchase ledgers to the general ledger. There was a formal process for authorised signatories to request the raising of invoices and credit notes and once raised, these require authorisation in the system.</p> <p>Access to the Civica Financials ledger system could be improved with regard to the input of journals and supplier bank details.</p> <p>There were examples where orders had to be raised retrospectively after the receipt of invoices to enable payment of supplier invoices.</p> <p>Certain debt recovery actions and write offs were restricted during Covid – 19. However, system generated reminder letters recommenced from May 2022.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	NNDR & Council Tax			
Executive Sponsor	Chief Financial and Section 151 Officer			
Objective	To evaluate the effectiveness of the controls in place to manage key risks that would affect the effective operation of the system for National Non-Domestic Rates (NNDR) and Council Tax.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	3 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively with Blackpool Council administering the Council Tax and NNDR provisions on behalf of Fylde Council.</p> <p>We confirmed that the Councils jointly had in place effective processes around the collection of NNDR and Council Tax by ensuring that the database of properties remained up to date in line with Valuation Office Agency. Discounts and exemptions and debt recovery processes were in place to recover arrears and approve refunds and write offs.</p> <p>Controls could be further improved with implementation of procedural guidance for activities and ensuring reconciliations between the Council Tax and General Ledger systems are completed on a timely basis. Additionally, reconciliations between the council systems and enforcement data should be implemented. The recommencement of recovery quality checks would further enhance controls to identify unknown errors and target training needs where applicable.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Section 106 Planning Review			
Executive Sponsor	Chief Executive			
Objective	To evaluate the controls in place to manage key risks which would affect the effective operation of the organisation's system for the management of Section 106 (s106) agreements, and obligations which are entered into are enforced and met.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	4 x Medium	3 x Low
Summary	<p>S 106 agreements are made between the council and developers to secure financial contributions and other measures which a developer must contribute to reduce the impact of that development on the infrastructure available to a local community.</p> <p>Overall, the review identified that there was an adequate system of internal control with some areas requiring improvements.</p> <p>Whilst the Council had a mechanism for recording and monitoring s106 agreements, this was primarily carried out by one member of staff, additionally there was a lack of procedural documentation. Consequently, a priority area for action is to ensure business continuity arrangements are put in place.</p> <p>It was confirmed that the Council had robust governance arrangements in the approval of s106 agreements with final approval being sought by relevant committees. However, this could be improved with further committee monitoring and reporting. Information published on the Council's website could also be improved.</p> <p>The Council had policies in relation to types of schemes in which s106 agreements can be entered into, with this being maintained within the Council's Local Plan to 2032.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at October 2022.

Previous Fylde Borough Council Audit Team Recommendations from Limited or Moderate Rated Reports. No risk ratings were assigned to recommendations.

AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
Commercial Property (2019/20)	9	Limited	5	2	2	-	Resources and catching up on workloads post Covid-19. A revised Asset Management Plan is being developed. Expected completion by December 2022.
Environmental Permitting Regs (2019/20)	6	Limited	5	1	-	-	Remaining action to create an Enforcement almost complete
Fuel Consumption (2019/20)	9	Limited	8	1	-	-	The outstanding action will be completed once the meetings between Parks and FMS teams recommence. This is expected to be January 2023.
Event Management (2019/20)	15	Limited	14	1	-	-	There is one action outstanding and in progress.
Contract Procedure Rules (2020/21)	5	Moderate	4	1	-	-	One action outstanding regarding training. Action is in progress.
Sundry Debtors (2019/20)	8	Moderate	7	1	-	-	One action outstanding expected to be completed imminently.
VAT (2019/20)	3	Moderate	2	1	-	-	Remaining action in progress expected to be completed by December 2022.
Heritage Assets (2019/20)	5	Moderate	3	2	-	-	The actions outstanding are regarding the completion of risk assessments.
Homeless Reduction (2019/20)	5	Moderate	5	-	-	-	All actions completed or superseded with the current Homeless Review.
Payroll (2020/21)	10	Moderate	8	-	-	2	Actions are not yet due.
TOTALS	75		61	10	2	2	

MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Asset Disposals (2021/22)	7	Limited	5	2	-	-	-	1	1	-
Housing Benefits (2021/22)	3	Substantial	-	3	-	-	-	-	3	-
Project Management (2021/22)	1	Moderate	-	1	-	-	-	1	-	-
Risk Management (2021/22)	7	Moderate	1	-	-	6	-	1	3	2
Health & Safety (2021/22)	6	Moderate	5	-	1	-	-	-	-	1
Shared Service and Third Party Assurance (2021/22)	4	Substantial	2	--	-	2	-	-	-	2
Treasury Management (2021/22)	2	High	1	-	-	1	-	-	-	1
Key Financial Controls (2021/22)	8	Substantial	6	-	-	2	-	-	1	1
NNDR & Council Tax (2021/22)	5	Substantial	1	-	-	4	-	-	2	2
S106 (2021/22)	8	Moderate	4	-	-	4	-	1	2	1
TOTALS	51		25	6	1	19	-	4	12	10

Key to recommendations:

- ✓/S Implemented or Superseded
- P Partially implemented/recommendation in progress
- X Recommendation not implemented
- ND Not due for follow up
- C Critical priority recommendation
- H High priority recommendation
- M Medium priority recommendation
- L Low priority recommendation

Asset Disposals – The GRACE system requires update along with the Corporate Verification document, these are in progress and expected to be completed by March 2023

Housing Benefits – All actions are in progress and expected to be completed by November 2022.

Project Management – The new Project Management Officer has now taken up the post and expects the action to be completed by 31st December 2022.

Risk Management – Remaining actions not yet due, to be completed by the newly appointed Risk Manager by 31st December 2022. Outstanding High risk recommendation is to provide training and guidance notes for the use of GRACE.

Health & Safety – Outstanding low priority recommendation is for computer training to be made available at the depot, this along with other options is being explored.

Shared Service and Third Party Assurance – Two low priority recommendations not yet due.

Treasury Management – One low priority recommendation not yet due.

Key Financial Controls – Two recommendations not yet due.

NNDR & Council Tax - Four recommendations not yet due.

S106 – All recommendations not yet due.

Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function, or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or could have a significant impact upon the achievement of key system, function, or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function, or process objectives. has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function, or process objectives; however, implementation of the recommendation would improve overall control.

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND STANDARDS COMMITTEE	10 NOVEMBER 2022	6
MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2022/23			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

This report is a mid-year Prudential Indicators and Treasury Management monitoring report which has been prepared in line with the recommendations of CIPFA's (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management. The report will also be presented for consideration at the Council meeting of 5th December 2022.

RECOMMENDATIONS

The committee are recommended to:

1. Scrutinise and note the Mid-Year Prudential Indicators and Treasury Management monitoring report; and
2. Recommend to Council that the Prudential Indicators and the Investment Limits as shown at Appendix B of this report be approved.

SUMMARY OF PREVIOUS DECISIONS

Council approved the 2022/23 to 2025/26 Capital Strategy, which incorporated the Prudential Indicators, at its meeting on 3rd March 2022.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING

REPORT 2022/23 – POSITION AS AT 30th SEPTEMBER 2022

Report

The Code of Practice on Treasury Management requires the Council to receive a Mid-Year Treasury Review report in addition to the forward-looking Annual Capital Strategy and the backward-looking Annual Treasury Report. The Code of Practice also requires Members to scrutinise the Treasury Management function.

CIPFA published its revised Treasury Management Code of Practice [the TM Code] and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements within the revised Codes until the 2023/24 financial year if they wish, which the Authority has elected to do.

Treasury risk management at the Authority is conducted within the framework of the TM Code. This Code now also includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

Background

The Code of Practice on Treasury Management requires the Council to receive a Mid-Year Treasury Review Report, in addition to the forward looking Annual Treasury Strategy, Capital Strategy and Annual Treasury Report.

The Mid-Year Treasury Review report has been prepared in compliance with the Code of Practice. In order to assist with the terminology and explanations that are included within this report Appendix A sets out a Glossary of Treasury Terms and a number of Treasury Management and Prudential Indicators Frequently Asked Questions. Appendix B sets out the latest Treasury Management position compared to the forecast Prudential Indicators.

1. Economic Update

1.1 Economic Background

- 1.1.1 The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.
- 1.1.2 The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.
- 1.1.3 The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.
- 1.1.4 On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve

market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

1.2 Economic Outlook

- 1.2.1 Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns which could include for instance another general election or further tax changes including implementing windfall taxes.
- 1.2.2 UK government policy has mitigated some of the expected rise in energy inflation for households and businesses flattening the peak for CPI, whilst extending the duration of elevated CPI. Continued currency weakness could add inflationary pressure.
- 1.2.3 The UK economy already appears to be in recession, with business activity and household spending falling. The short to medium term outlook for the UK economy is relatively bleak.
- 1.2.4 The housing market impact of increases in the Base Rate could act as a “circuit breaker” which stops rates rising much beyond 5%, but this remains an uncertainty.

1.3 Interest Rate Forecast

- 1.3.1 The latest forecast for interest rates from the Council’s Treasury Advisors, Arlingclose, is shown in Table 1 below. Arlingclose currently expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the year.
- 1.3.12 Investors have priced in multiple rises in Bank Rate to 6.0% by the quarter to September 2023. While Arlingclose believes Bank Rate will rise it is by a lesser extent than expected by the markets.

Table 1: Interest Rate Forecast from Arlingclose

Quarter Ending	Bank Rate %	Investment Rates %		Borrowing Rates %		
		3 month	5 year	5 year	20 year	50 year
Current	2.25	2.25	4.53	6.33	6.12	5.75
Dec 2022	4.25	4.25	4.50	6.30	6.05	5.70
Mar 2023	5.00	5.25	4.60	6.40	6.05	5.70
Jun 2023	5.00	5.25	4.50	6.30	5.95	5.60
Sep 2023	5.00	5.25	4.50	6.30	5.90	5.60
Dec 2023	5.00	5.25	4.40	6.20	5.80	5.60
Mar 2024	5.00	5.25	4.30	6.10	5.70	5.40
Jun 2024	5.00	5.25	4.20	6.00	5.70	5.40
Sep 2024	5.00	5.25	4.10	5.90	5.60	5.30
Dec 2024	4.75	4.75	4.00	5.80	5.60	5.30
Mar 2025	4.25	4.25	3.90	5.70	5.60	5.30
Jun 2025	3.75	3.75	3.80	5.60	5.60	5.30
Sep 2025	3.25	3.25	3.70	5.50	5.60	5.30

2. **Debt Management**

- 2.1 The Council currently holds no external debt, and the authority remains debt free.

- 2.2 The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. For 2022/23 the Council has a £4.1m Capital Financing Requirement (CFR) based on prudential borrowing for past and current capital expenditure that has been approved as part of the Capital Programme (See Appendix B Table 2). Currently this is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors.
- 2.3 The use of internal resources in lieu of borrowing, i.e. internal borrowing, has continued to be the most cost-effective means of funding capital expenditure. Using internal borrowing lowers the overall treasury risk by reducing both external debt and temporary investments. However, this position may not be sustainable over the longer term. Consequently, external borrowing options and the timing of such borrowing will continue to be assessed in consultation with the Council's Treasury Advisors.
- 2.4 PWLB loans are no longer available to local authorities who plan to buy investments primarily for yield. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, and preventative action. The Council does not intend to borrow to invest primarily for commercial return

3. Investments

3.1 Treasury Investment Activity

- 3.1.1 CIPFA revised TM Code defines treasury management investments as those which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.
- 3.1.2 The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Council Tax and Business Rates Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held.
- 3.1.3 The Council's cash flow has continued to remain high with £38.7m of cash and investments being held as at 30th September 2022. This balance of funds is likely to reduce during the remainder of the financial year. The balance of the Council's own bank account will ideally be kept below £2m to ensure sufficient liquidity for all the financial transactions undertaken by the Council. Due to cash flow fluctuations this limit may be exceeded on occasion and if the limit is exceeded for more than three working days the Section 151 Officer or Deputy Section 151 Officer will review the position.
- 3.1.4 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.1.5 Given the risk from short-term unsecured bank investments, the Authority has continued to invest in Local Authority loans with a maximum duration of 365 days.
- 3.1.6 The security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in the Investment Strategy for 2022/23 approved by Council on 3rd March 2022.
- 3.1.7 The Council defines "high credit quality" organisations as:
- those having a credit rating of A- or higher and that are domiciled in the UK for deposits of up to one year,

- those domiciled in a foreign country those with a sovereign rating of AA+ or higher for deposits of up to one year.

These criteria are specified within table 4 (Approved Investment Counterparties and limits) of the Treasury Management Strategy as approved by the Council on 3rd March 2022.

3.1.8 Internally managed funds of £36.2m (average for the period to 30th September 2022) have been invested in deposit accounts, call accounts, Local Authorities, Money Market Funds and the Debt Management Office during the first half of the year.

3.1.9 Deposits have been made at an average rate of 1.59%, which is above the benchmark return (based on the SONIA – Sterling Overnight Interbank Average Rate) of 1.24%. This has been achieved due to the increase in the Bank base rate on short term deposits and as fixed term investments matured and were replaced with investments at the higher rate.

The Council's original estimate for investment income for 2022/23 was £31.4k. Income from investments is higher than the forecast amount due to upward returns driven by the increase in Bank base rate combined with higher than anticipated levels of funds available for investment. Consequently, this income budget has been reviewed and will be increased to £510.7k to reflect the latest estimated level of income, representing an increase in forecast interest earnings for the current year of £479.3k. This change will be updated in the financial forecast included within the council's Medium term Financial Strategy report, together with updated estimates for future years.

3.1.10 The Council has adhered to the security, liquidity and yield indicators that were presented as part of the Treasury Management Strategy for 2022/23.

4. Revisions to the Treasury Management Code of Practice and Prudential Code

4.1 In December 2021 CIPFA published its revised Treasury Management Code of Practice and Prudential Code for Capital Finance. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year which the Council has elected to do.

5. Compliance

5.1 The Chief Financial Officer reports that all treasury management activities undertaken during the half year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

5.2 Details of the Prudential Indicators can be found in Appendix B. As changes arise during the year some of the Prudential Indicators and Limits need to be revised.

6. Risk Assessment

6.1 Scrutiny of the revised Prudential Indicators and Limits and the subsequent recommendation of approval to the revisions by Audit and Standards Committee to Council helps to protect the Council from the risk of not having adequate liquidity or funding for the Council's capital plans.

6.2 Additionally, if this scrutiny process was absent the Council would not be compliant with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) or CIPFA's Code of Practice on Treasury Management.

7. Conclusion

7.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2022/23. As indicated in this

report, none of the treasury limits have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

IMPLICATIONS	
Finance	Financial implications are contained within the body of the report.
Legal	This report secures the continued compliance with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) and CIPFA's Code of Practice on Treasury Management.
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2022

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy Update Including General Fund, Capital Programme & Treasury 2021/22 – 2025/26	Council meeting 3rd March 2022	www.fylde.gov.uk

Attached documents

1. Appendix A – Glossary of Treasury Terms and Treasury Management and Prudential Indicators Frequently Asked Questions
2. Appendix B – Prudential Indicators
3. Appendix C – Existing Investment and Debt Portfolio Summary

Glossary of Treasury Terms

Term	Description
Counterparty	Another party to an agreement.
Credit rating	A measure of the credit worthiness of an institution, corporation, or a country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the counterparty being able to pay back a loan.
Liquidity	As assessment of how readily available an investment is. It is safer to invest in liquid assets because it is easier for an investor to get their money out of the investment.
Minimum Revenue Provision (MRP)	The minimum amount that the Council must charge to the revenue accounts each year in order to reflect the notional costs of financing capital expenditure.
Security	As assessment of the creditworthiness of a counterparty.
Treasury adviser	External consultancy firms that provide information to local authorities, including information regarding counterparty creditworthiness.
Prudential Borrowing	Borrowing that is not funded via the Revenue Support Grant or other grant aid system but rather from the Council's own resources, this is conditional that prudence is demonstrated.

Treasury Management and Prudential Indicators Frequently Asked Questions

1. What is the difference between capital expenditure and capital financing requirement?

Capital Expenditure is defined as expenditure on the acquisition, creation or enhancement of tangible fixed assets, subject to a de minimis level of £10,000. It includes expenditure on land, buildings and vehicles.

The Capital Financing Requirement (CFR) is the level of total funding that is required to fund the capital programme. The actual level of external borrowing may be lower than the CFR as a consequence of the use of internal borrowing. Internal Borrowing occurs when the Council temporarily uses its own cash resources to finance capital expenditure rather than arranging new external borrowing. This is a prudent approach when investment returns are low and counterparty risk is high.

2. What does the term ‘financing’ mean?

The term ‘financing’ does not refer to the payment of cash but the resources that will be applied to ensure that the capital payment amount is dealt with over the longer term. A number of financing options are available to Councils:-

- capital receipts (e.g. sale of land or buildings)
- contribution from revenue expenditure
- capital grant
- contribution from a third party
- borrowing
- contribution from earmarked reserves

3. Does the Council link long term loans to particular capital assets/projects?

The Council does not directly associate loans with particular capital assets/projects, as this is not best practice. The Council will, at any point in time, have a number of cash flows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy and practices. This is best practice in line with the CIPFA Prudential Code.

4. What does the term ‘net borrowing should not exceed the total of the CFR’ mean?

Net borrowing will remain below the CFR to ensure that the Council is only borrowing for a capital purpose. The Council is permitted to borrow in advance for a capital purpose over the medium term. The term ‘total of the CFR’ is the CFR of the current year plus increases in the CFR of the previous financial year and next two financial years. In other words, the total of the Council’s existing assets, plus additions to assets resulting from forecast Capital Programme expenditure, e.g. vehicles. This gives the Council some headroom to borrow early for a capital purpose in order to secure low interest rates.

5. Is the cash that is being managed in-house revenue or capital?

The short term surplus cash that is managed during the year in house may be revenue or capital, e.g. the Council may receive a capital receipt in April but capital expenditure is incurred throughout the year which gives rise to increased cash balances in the early part of the financial year which is invested short term by the in house treasury team. The Council receives Council Tax which is classed as revenue income. Council Tax income is typically received in the months of April to January as the majority of Council Tax payers make 10 instalments. Therefore, the Council has less cash in the months of February and March and may need to borrow cash short-term in line with the cash flow forecast.

6. What does the Council invest in?

The Council is restricted in where it can invest its surplus funds. The restrictions are prescribed by statute (Local Government Act 2003 section 12(1) (b)). Councils are also required to have regard to supplementary investment guidance provided by the Communities and Local Government.

The Council's investments are typically short term, i.e. less than a year, and are made in sterling with institutions with high credit ratings. This is in accordance with the Treasury Management Strategy approved on the 3rd March 2022.

7. What is the role of internal and external auditors in respect of treasury management?

The focus of external auditors work is a Council's annual accounts and the financial management systems and processes that underpin them. The external audit will enquire as to whether the Treasury Management Code has been adopted and whether its principles and recommendations have been implemented and adhered to.

Through a process of review, the role of Internal Audit is to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are sufficiently mitigated. This will assist Treasury Management in meeting its desired objectives and help to ensure that the risk of fraud and/or error is minimised. Internal Audit will also look to identify other areas of potential risk which could usefully be included as well as any inefficiencies in existing processes and procedures where improvements can be made. Treasury Management is one of the core financial systems and as such is audited on a cyclical basis.

8. What are the qualifications of Council staff involved in treasury management practices?

Staff are either working towards or have achieved professional accountancy qualifications from CIPFA (Chartered Institute of Public Finance Accountants), ACCA (Association of Chartered Certified Accountants) or CIMA (Chartered Institute of Management Accountants). Staff work closely with the Council's Treasury Management Advisors and attend regular treasury training and updates (provided by the Treasury Management Advisors).

Prudential Indicators

1.1 Capital Expenditure

Table 1 shows the revised forecast capital expenditure as reported in the latest Capital Programme Monitoring Report as at 30th September 2022 as compared to the capital expenditure originally approved by Council.

Table 1: Forecast Capital Expenditure

Forecast Capital Expenditure	2022/23 Original Indicator £M	2022/23 Latest Estimate £M
Total	14.0	18.5

The above table shows the forecast capital expenditure for 2022/23. The large increase in the latest estimate of capital spend for the year is a consequence of slippage and re-phasing of a number of capital schemes from 2021/22 into 2022/23.

1.2 Capital Financing Requirement (CFR)

Table 2 shows the CFR which is the total of all of the Council's capital assets (existing and planned) less all of the Council's capital reserves. This is the amount of capital expenditure that the Council has still to finance. The CFR is normally funded by external borrowing but currently is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors. The Council has no existing borrowing therefore there is a requirement to finance £4.1m from internal cash resources as described in section 3 of the report.

Table 2: Capital Financing Requirement (CFR)

	2022/23 Original Indicator £M	2022/23 Latest Estimate £M
Total CFR	4.1	4.1

The latest estimate of the CFR is in line with the original approved indicator.

1.3 Gross Debt and Capital Finance Requirement

The Council needs to ensure that its total capital borrowing does not, except in the short term, exceed the total of the CFR. Table 3 below shows that the Council will be able to comply with this requirement.

There are no difficulties anticipated in keeping the long term capital borrowing below the CFR.

Table 3: Gross Debt and Capital Finance Requirement

As at 31/03/2021	2022/23 Original Indicator £M	2022/23 Latest Estimate £M
Estimated Long Term Borrowing	0	0
Capital Financing Requirement	4.1	4.1

The Council is forecast to be able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2022/23, in line with advice from Treasury Advisors.

1.4 Authorised Limit and Operational Boundary for External Debt

Affordable Borrowing Limit: The Council is legally obliged to set an affordable borrowing limit (also termed 'Authorised Limit' for external debt) each year. In line with statutory guidance, a lower 'Operational Boundary' is also required to be set as a warning level should debt approach the limit. This is detailed in table 4.

The Operational Boundary is based on the maximum external debt during the course of the year. It is not a limit and therefore may be exceeded on occasion.

The Authorised Limit for external debt represents the limit beyond which borrowing is prohibited, and is set and revised by Council. It reflects the level of borrowing which, in extreme circumstances, could be afforded in the short term. This is a statutory limit which should not be breached.

There were no breaches to the Authorised Limit and the Operational Boundary to 30th September 2022.

Table 4: Authorised Limit and Operational Boundary for External Debt

	2022/23 Original Indicator £M	2022/23 Latest Estimate £M
Authorised Limit – total external debt	8.0	6.0
Operational boundary	2.0	0

Note

1. The Authorised Limit and Operational Boundary have reduced as a consequence of there being no requirement to borrow in the short-term for day to day cash flow. The Council is able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2022/23.

2. The Authorised Limit includes £6.0m for 'contingency' which is an amount that has been estimated to provide scope to undertake short-term borrowing in the event of a service delivery failure or emergency, e.g. a failure to collect council tax income.

1.5 Forecast Treasury Position

Table 5 shows the expected balances for investments and debt at 31st March 2023.

Table 5: Forecast Treasury Position

	2022/23 Estimate £M	2022/23 Revised £M
Debt (Long-Term External Borrowing)	0	0
Investments	17.2	25.2

The Council has not undertaken any new external long-term borrowing as it is funding capital expenditure with internal borrowing (see Section 3 of the report).

The forecast investments position has been updated to reflect the latest changes to the movements in reserves, provisions and capital expenditure. The increase in the level of investments at the 31st March 2022 from £17.2m to £25.2m is a consequence of the forecast timing of daily cash flows.

1.6 Proportion of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the financing costs (Minimum Revenue Provision (MRP) plus interest payable less interest receivable) as a percentage of the net revenue stream as shown in Table 6.

Table 6: Ratio of Financing Costs to Net Revenue Stream

	2022/23 Estimate £M	2022/23 Revised £M
Financing costs (£m)	0.745	0.234
Proportion of net revenue stream	6.3%	2.0%

The latest estimate of net financing costs is lower than the original estimate due to the increase of interest receivable on investments, predominantly with other local authorities and money market funds. This is a result of the Monetary Policy Committee (MPC) raising the Bank base rate to tackle domestic inflationary pressures.

1.7 Investments over 365 days

This limit is set to ensure adequate liquidity and is the maximum amount of funds the Council will invest longer term.

Table 7: Investments over 365 days

	2022/23 Estimate £M	2022/23 Revised £M
Limit for investments over 365 days	5.0	0

1.8 Credit Risk, Liquidity & Investment Benchmarking

The Council manages its exposures to counterparty credit risks by aiming for an average credit rating of A- for the investment portfolio. Credit scores are calculated as AAA = 1, AA+ =2, etc.

The Council's treasury advisors Arlingclose have analysed the Council's credit, liquidity, market risk and yield score compared to Arlingclose Authority clients of a similar type and Arlingclose Authority clients as a whole and the results are shown in Table 8.

Table 8: Credit Risk, Liquidity & Investment Benchmarking

Credit Risk at 30 th September 2022	Fylde Council	44 English Non-Met District Councils Average	121 Local Authorities Average
Security - Average Credit Score (time-weighted)	4.94	4.23	4.23
Security - Average Credit Rating (time-weighted)	A+	AA-	AA-
Liquidity – Proportion Available Within 100 Days	74%	62%	71%

Market Risks – Strategic Fund Volatility	0	4.5%	6.2%
Yield - Internal Investment Return	1.59%	1.70%	1.72%
Longer Term Cash Plus Funds – Income Return	0	0.66%	0.63%
Longer Term Strategic Funds – Income Return	0	3.87%	3.97%

Existing Investment & Debt Portfolio Position at 30.09.22

	30.09.22 Actual Portfolio £m	30.09.22 Average Rate %
External Borrowing:		
Public Works Loan Board	0	-
Total External Borrowing	0	
Treasury investments:		
<u>Short Term</u>		
Banks – unsecured	(2.7)	2.15
Debt Management Office (DMO)	(3.0)	1.85
Local Authority Loans	(16.0)	0.99
LCC Call Account Facility	(3.5)	2.00
Money Market Funds	(13.5)	2.06
Total Treasury Investments	(38.7)	
Net Borrowing / (Lending)	(38.7)	

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEPUTY CHIEF EXECUTIVE	AUDIT AND STANDARDS COMMITTEE	10 NOVEMBER 2022	7
UPDATE ON THE STRATEGIC RISK REGISTER			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY OF INFORMATION

This Information item gives a progress update on the risks contained within the Strategic Risk Register (SRR). The SRR was presented to the Audit and Standards Committee on 13 January 2022 and detailed the risks alongside any existing control measures. Periodic updates are provided to the Committee, and this report is the most up-to-date position.

SOURCE OF INFORMATION

Strategic Risk Management Group

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

The Audit and Standards Committee Terms of Reference states that the committee monitors the effective development and operation of risk management in the council. This report supports the Committee in undertaking this role.

FURTHER INFORMATION

<https://fbc.gracegs.net/login>

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	

REPORT

The Strategic Risk Management Group now utilise the GRACE Risk Information management system at review meetings.

Colour coding of risks has not changed and remains as:

- Green Risks = Low Risks
- Yellow Risks = Medium Risks
- Red Risks = High Risks

The strategic risk register is kept under review by the Strategic Management Group, together with the Corporate Management Team. At its most recent review, all the strategic risks were reviewed, and it was concluded that risks were within acceptable parameters with effective control measures to reduce the risk to as low as reasonably practicable (ALARP).

Some adjustments were made as follows:

- Amendments were made to climate control risk with carbon reduction policies added to control measures.
- Covid risk control measures were updated to reflect the continued monitoring of national guidelines and that the most recent NHS guidance has been issued to staff re-living with Covid.
- Infrastructure and LCC funding cuts were removed from the Strategic Risk Register after SMG review but can be reinstated if required due to changes in policy at any point in the future
- the specific ICT risk of a hostile cyber-attack was elevated from the operational risk register to the Strategic Risk

In addition, following SMG consultation, the recruitment /succession planning risk was amended to include retention with the residual risk score amended to reflect any changes.

The next Strategic Risk Management Group will be held in the near future. Member's attention is drawn to the fact that the strategic risk review is an ongoing process and relevant updates will be provided to the Committee at future meetings.

IMPLICATIONS	
Finance	Risk management is an essential part of CIPFA/SOLACE framework on corporate governance.
Legal	The Local Government (Accounts and Audit) Regulations legislate that a local authority is responsible for ensuring that the financial management of the authority is adequate and effective and that the authority has a sound system of internal control which facilitates the effective exercise of the authority's functions; and includes arrangements for the management of risk
Community Safety	Section 11 safeguarding policy in place and the risk is recorded on GRACE.
Human Rights and Equalities	Compliance with the Public Sector Equality Duty through robust risk management process.
Sustainability and Environmental Impact	Strategic Risk Register holds climate change risk with ongoing work to reduce environmental impact.
Health & Safety and Risk Management	As a public body the Council has a low-risk appetite and regards the successful identification, monitoring and control of risk to be the most effective way to manage risk.

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning, Stephen Benson	01253 658521 01253 658488	28 October 2022

BACKGROUND PAPERS	
Name of document	Date
Appendix 1 Strategic Risk Register	

For Export Report

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Existing Control Measure Description	Residual Risk Score	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners	Type	Action Date
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Fylde Borough Council Strategic Risk Register

Items in Group: 11

Climate Change	The authority fails to assess the relative significance of climate change risks .	Senior Management Team . (Management team)	12	Working Group established to build up a picture of climate change risks and to mitigate against the risk of these through the creation of a number of carbon reduction policies	Work undertaken to date is outlined above including the design of awareness programmes including social media campaign to encourage residents to consider their energy usage, and promotion of a carbon calculator tool to staff and councillors to ask them to consider their carbon footprint and how they can reduce it.	9	Risks relating to pollution, noise or energy efficiency Risks relating to Legal/Regulatory requirements	4	Further development of carbon reduction policies	Further programme of work to be brought forward early in 2022 to implement carbon reduction policies in regards to plastics reduction and energy efficiency/fleet	Senior Management Team . (Management team)	Proposed	3/23/2023
				Sea defenses and flooding work	Sea defense works at Fairhaven completed together with an overview piece of work on flooding across the Borough. Work is also being undertaken to progress a further sea defense work programme for St . Anne's promenade . Drainage engineer resources have also been agreed by the council with a key principal officer				Further development of awareness programmes by the Working Group	Once the implementation of all the identified carbon reduction policies has been undertaken to keep the impacts of the policies developed under review and to horizon scan for further climate change risks arising in terms of the Council's operations.	Senior Management Team . (Management team)	In Progress	12/31/2022
				A number of carbon reduction polices have been developed including draft strategies for tree planting and electric vehicle charging infrastructure . There are a further 2 polices approved for plastic reduction and recycling .	Further discussions are taking place with the leadership board to determine the future direction of travel with respect to this area of work . Members have also agreed, to provide funding for a Fylde Coast project aimed at promoting a community procurement exercise for solar panels. .				Further flood defense work	Flood defense works at The Island progressed to design phase, and a Flooding Engineer and apprentice to be employed by the	Senior Management Team . (Management team)	Proposed	2/28/2023
Commercial Strategy	Failure to embrace Commercial Strategy	Allan Oldfield (CEO)	8	Member approval of Commercial Strategy	Member approval and support of the Commercial Strategy	6	Risks impacting on the achievement of corporate objectives and priorities Risks associated with financial planning & control	4	Review and monitor commercial outcomes	The Commercial Strategy itself will not contain SMART targets. It will set the strategy to inform other strings of work within the council for example the setting of fees and charges.	Allan Oldfield (CEO) Alex Scrivens (Performance and Improvement Manager)	Proposed	10/27/2022

									Commercial schemes	The strategy itself will not identify schemes but will set the strategy for other workstreams to follow	Marie Percival Alex Scrivens (Performance and Improvement Manager)	Proposed	12/1/2022
									Commercial Strategy	he Commercial Strategy WG is in the process of reviewing the strategy. There has been one meeting already and another is planned in January 2022. With a revised strategy to be presented to the F&D committee at its March	Senior Management Team . (Management team)	Proposed	1/19/2023
COVID 19	Failure to react to the changing service demand due to the recovery of COVID 19 (incorporating our role to support employees / the community / businesses / financial impacts)	Tracy Manning (Director of Resources)	9	Employees	Staff advised to socially distance as far as practicable and to work from home where possible. Risk Assessments undertaken on buildings and Health & Safety measures implemented	4	Risks associated with financial planning & control Risks associated with the recruiting, retaining and motivating staff & developing skills Risks relating to operational activity Risks relating to the reputational risks to the Council	4					
				New guidance issued to staff on what to do if they are feeling unwell . Local authority continues to keep abreast at LCC and National level and is ready to step up its response if necessary going forward	NHS Living with Covid-19 Posters providing advice on actions to take if unwell displayed around council offices .								
Enforcement	Increased pressure on enforcement resource in relation to licensing / PSPOs / beggars / Travelers / planning issues	Kathy Winstanley (Head of Health and Environment)	8	Inspections / Liaison	Regular inspections of Hardhorn Travellers Site and liaison with residents	6	Risks relating to pollution, noise or energy efficiency Risks relating to operational activity Risks relating to the reputational risks to the Council	4	Enforcement and Education	Effectiveness of Enforcement team to be reviewed post season	Kathy Winstanley (Head of Health and Environment)	In Progress	1/19/2023
				New Enforcement Team	New head of service for environmental health and housing to evaluate the level of resources required for the team , and bring forward proposals ,				Enforcement and legal action	2 CPNs served in 2022 in relation to begging, 2 additional being processed Gator now used to help with Amenity beach enforcement	Chris Hambly (Environmental Services Manager)	Implemented	11/30/2022
				Enforcement Team Update	Enforcement team funding approved for additional period, Team running at full strength (6 members 12/05/22)								
				Enforcement policy to be developed	New head of services for environment health and housing to bring forward a draft enforcement policy for consideration								
Fylde Council / Lancashire County Council	Potential for a unitary council / LCC dissolve during 19/20	Senior Management Team . (Management team)	9	Consultations	Ongoing discussions around a County Deal	6	Risks impacting on the achievement of corporate objectives and priorities Risks relating to the reputational risks to the Council	6	Statement of Intent	Statement of Intention on participation in County Deal to be considered by Council in the new year	Senior Management Team . (Management team)	Overdue	8/17/2022
				Engagement	Engagement with Lancashire Leaders discussions and dialogue with potential partners.								

Hacking ,virus, ransomware attack	A hacker gains access to the system(s) and obtains information &/or amends records or transactions etc. Virus attack disabling systems & destroying computer hardware ,software & information. A user falls victim to a phishing or malicious social engineering attack. A malicious threat actor gains access to the network and encrypts or deletes data.	Ross McKelvie (ICT Manager) Stephen Reed (ICT Project Officer)	15	Numerous control measures recorded on the operational risk by owner.	As listed on operational risk in ICT folder	15	Risks associated with technology Risks relating to operational activity Risks relating to the reputational risks to the Council Risks relating to information held Risks relating to Legal/Regulatory requirements	15	Migration	This risk has been migrated from the operational ICT risk due to the potential disruption of a successful cyber	Stephen Benson (Corporate Risk Management & Emergency Planning Officer)	Implemented	8/24/2023		
ICT Systems	Failure to support Council priorities through ineffective ICT systems	Gemma Broadley (Head of Corporate Services) Ross McKelvie (ICT Manager)	25	ICT Strategy	ICT Strategy in place	12	Risks associated with financial planning & control Risks associated with technology Risks relating to operational activity Risks relating to information held	4	Network resilience / capacity	To continuously review the Council's reliance and capacity arrangements to ensure that they meet current and future needs.	Gemma Broadley (Head of Corporate Services) Tracy Manning (Director of Resources) Ross McKelvie (ICT Manager) Paul O'Donoghue (Chief Financial and Section 151)	In Progress	12/1/2022		
				Digital Transformation	Digital Transformation agenda in place				Strategic ICT Risk Management Group	The Strategic ICT Risk Management Group should continue to meet on a regular basis to review strategic ICT risks and implement actions as		In Progress	10/28/2022		
					A "Strategic ICT Risk Management Group" has been established which meets regularly to review corporate ICT risk issues including cyber security threats, corporate storage and capacity issues, network resilience, and to assess the status of key corporate IT systems and to facilitate upgrades or the purchase of replacement systems as appropriate.										
Kirkham Futures Regeneration Programme	Failure to deliver the multi-stranded programme within the agreed timeframes	Charlie Richards (Head of regeneration projects)	12	Member approval and support for the scheme in principal	Member approval and support for the scheme	9	Risks associated with financial planning & control Risks relating to the reputational risks to the Council	6	Staffing Resource	Undertake recruitment to provide additional support and resources	Mark Evans (Head of Planning and Regeneration)	Proposed	12/1/2022		
				Programme Board in place	Meets monthly				Project delivery plans	Refine and agree project delivery plans for each individual scheme within the programme		Proposed	12/2/2022		
				Planning Committee oversee delivery of the programme	Regular reporting to committee										
				Quarterly return to Historic England for HAZ	Meets monthly				Budgetary Control	Establish a robust budget protocol to monitor anticipated spend against actual spend		Proposed	11/30/2022		
				HAZ Risk Log	Historic England require that a risk log is maintained as part of the terms of the HAZ grant award										
				Department of Levelling Up, Housing and Communities (DLUHC)	A spending profile has been agreed with DLUHC with quarterly returns provided to allow them to monitor FHSF expenditure against projected budgets.										
				monitoring Staffing Structure Approved	Agreed at Planning Committee										
				Procurement	All procurement is in line with council procedures										
Management of key assets	Failure to obtain value for money from quality service delivery in the management of buildings and	Darren Bell (Head of Technical	12	Asset Management Strategy	Asset Management Strategy	6	Risks impacting on the achievement of	4	The Asset Management Group will be	This will be established as part of the work	Darren Bell (Head of Technical	In Progress	11/22/2022		

	land that the council owns or has interest in .	Services)		Experienced Estates Officer Commercial Strategy	Estates officer in post Commercial Strategy		corporate objectives and priorities Risks associated with financial planning & control		reinstated as a cross departmental forum to support the achievement of priorities wit	on the asset management plan. The asset management group will be engaged with the consultation on the plan	Services)		
									A new Asset Management Plan will be developed in consultation with the re-formed Asset Management Group. The Asset Manag	Work on drafting the asset management plan has been started. the group has been set up and the plan will be drafted and recommended for adoption.	Darren Bell (Head of Technical Services)	In Progress	12/31/2022
Procurement	Failure to achieve value for money / non compliance with Contract Procedure Rules / lack of corporate co-ordination.	Ian Curtis (Head of Governance)	6	Details of capital expenditure in committee reports External Audit opinion Procurement officer	Details of capital expenditure in committee reports External Audit favourable value for money opinion Dedicated Procurement Officer role within the Governance Team	4	Risks associated with financial planning & control Risks relating to operational activity Risks relating to the reputational risks to the Council	4	Procurement Strategy Establish a cross service procurement group	Development of a procurement strategy Procurement Group to review FBC's procurement processes to include Strategy / Guidance Use of the Chest Compliance with Standing Orders / Regulations Value for Money Contracts Register	Ian Curtis (Head of Governance) Ben McCabe (Procurement and Surveillance Camera Officer) Ben McCabe (Procurement and Surveillance Camera Officer)	Implemented Proposed	12/1/2022 12/1/2022
Recruitment / Retention and Succession Planning	Failure to have a skilled workforce to deliver council priorities	Alex Scrivens (Performance and Improvement Manager)	12	Job Evaluation process Apprenticeships Appraisal process Competency Framework	Job Evaluation process Use of apprentices throughout the authority Annual appraisal process Core competency framework	12	Risks associated with the recruiting, retaining and motivating staff & developing skills Risks relating to the reputational risks to the Council	6	Recruitment Policy Apprentice Strategy Review and rebrand the Competency Framework (incorporating corporate values)	Development of Recruitment Policy to standardise the process incorporating a review of job descriptions and personnel Development of an Apprentice Strategy Review and rebrand the Competency Framework (incorporating corporate values)	Alex Scrivens (Performance and Improvement Manager) Alex Scrivens (Performance and Improvement Manager) Alex Scrivens (Performance and Improvement Manager)	Proposed Proposed Overdue	1/1/2023 12/1/2022 9/20/2022

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF GOVERNANCE	AUDIT AND STANDARDS COMMITTEE	10 NOVEMBER 2022	8
REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY OF INFORMATION

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to October 2022, there were no authorised operations.

SOURCE OF INFORMATION

Head of Governance

INFORMATION

1. The Regulation of Investigatory Powers Act 2000 ("RIPA") regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
2. Fylde Council is therefore included within RIPA framework with regard to the authorisation of both directed surveillance and of the use of covert human intelligence sources.
3. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. A covert human intelligence source ("CHIS") is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation.
4. Directed surveillance or use of a CHIS must be authorised by the chief executive or deputy chief executive and confirmed by a Justice of the Peace. All authorisations are recorded centrally by the Head of Governance.
5. This is the required quarterly report on the use of RIPA. The information in the table below is about authorisations granted by the council during the quarter concerned.

Quarter	Directed surveillance	CHIS	Total	Purpose
21 July 2022 – 10 November 2022	0	0	0	

Figures correct when report published. Officers will verbally update members if the figures have changed by the date of the meeting.

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Regulations under the Regulation of Investigatory Powers Act 2000 ("RIPA") require councillors to consider a report on the use of RIPA at least quarterly.

FURTHER INFORMATION

Contact Ian Curtis on 01253 658506 or at ian.curtis@fylde.gov.uk.