

# Agenda

## Audit and Governance Committee

Date:	Thursday, 1 February 2024 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	Councillor Michael Withers (Chairman) Councillor Andrew Redfearn (Vice-Chairman)  Councillors Peter Anthony, Liz Bickerstaffe, Ellie Gaunt, Joanne Gardner, Paul Hayhurst, John Kirkham, Ed Nash

	PROCEDURAL ITEMS:	PAGE
1	<b>Declarations of Interest:</b> 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	<b>Confirmation of Minutes:</b> To confirm the minutes, as previously circulated, of the meeting held on <a href="#">30 November 2023</a> as a correct record.	1
3	<b>Substitute Members:</b> Details of any substitute members notified in accordance with council procedure rule 23(c).	1
	<b>DECISION ITEMS:</b>	
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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
MIAA	AUDIT AND GOVERNANCE COMMITTEE	1 FEBRUARY 2024	4
<b>INTERNAL AUDIT PROGRESS REPORT</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources, Councillor Ellie Gaunt.

#### PURPOSE OF THE REPORT

This report provides an update to the Audit & Governance Committee in respect of the progress made in against the Internal Audit Plan for 2022/23 and 2023/24 and draws attention to matters relevant to members responsibilities.

#### RECOVERABILITY

This decision is not recoverable because it relates to:

A recommendation to the council or to any other committee or sub-committee of the council

#### RECOMMENDATION

1. To receive, consider and comment on the Internal Audit Progress Report which is attached to this covering report.

### REPORT

1. The attached report has been prepared by the Council's internal auditors, MIAA. It provides an update to the Audit and Governance Committee in respect of the assurances, key issues and progress against the Internal Audit Plans 2022/23 and 2023/24. 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.

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	

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

SUMMARY OF PREVIOUS DECISIONS
Internal Audit Plan 2022/23 approved by the Audit and Standards Committee on 17 March 2022. Internal Audit Plan 2023/24 approved by the Audit and Standards Committee on 16 March 2023

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection
Internal Audit Plan 2022/23	17 March 2022	Internal Audit Team
Internal Audit Plan 2023/24	16 March 2023	Internal Audit Team

LEAD AUTHOR	CONTACT DETAILS	DATE
Louise Cobain	<a href="mailto:louise.cobain@miaa.nhs.uk">louise.cobain@miaa.nhs.uk</a>	January 2024

Attached documents  
Appendix 1 – Internal Audit Progress Report

# Internal Audit Progress Report

## Audit and Governance Committee (1<sup>st</sup> February 2024)

Fylde Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit and Governance Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Key Areas and Actions to be Delivered

Appendix D: Follow-up of Previous Audit Actions

Appendix E: Assurance Definitions and Risk Classifications

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

## Executive Summary

This report provides an update to the Audit and Governance Committee in respect of the progress made in against the Internal Audit Plans and brings to your attention matters relevant to your responsibilities as members of the Audit and Governance 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 Governance Committee.

This progress report covers the period 21 November 2023 – 18 January 2024.

### 3 Executive Summary

Since the last meeting of the Audit and Governance Committee, there has been the focus on the following areas:

#### Audit Reviews

The following reviews have been finalised:

- Financial Controls - Cash (Limited Assurance Level)
- Beach Safety (Moderate Assurance Level)
- Payroll – Blackpool Controls (Substantial Assurance Level)

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The reviews below are currently at draft report stage or are in progress:

- Kirkham Regeneration (draft report)
- Housing Inspections (draft report)
- Externally Managed Events (fieldwork)
- Stock – Fleet Consumables (fieldwork)
- Food Safety (fieldwork scheduled)
- Business Continuity (fieldwork scheduled)
- Risk Management (fieldwork scheduled)

## Follow Ups

A summary of the current status of all follow-up activity is included at Appendix D, as at January 2024 and we would draw the committee's attention to the following:

Good progress has been made in the completion of outstanding audit actions, with 50 actions completed and the remaining actions either in progress or are not yet due. There are four reports where all actions have been completed, these are Conflicts of Interest, Apprenticeships Cyber Security and Mobile Devices and the Mastergov Planning reviews.

## Audit Plan Changes

Audit and Standards Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

There are no current proposals to amend the approved audit plan.

## Added Value

Briefings

Our latest briefing is:






- [23/24 MIAA Checklist Series - Risk Management \(Local Authorities\)](#)












## 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 2023/24:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core Assurances				
Risk Management		Scheduled to commence March		
Risk Based Assurances				
Beach Safety		Complete	Moderate	February 2024
Stock Consumables and Expenditure		Fieldwork		
Homelessness Budget Efficiency		Complete	Moderate	November 2023
Financial Controls (Deep Dive)		Complete	Moderate	February 2024
Housing Inspections		Draft Report		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
IT Service Continuity and Resilience		Fieldwork		
Food Safety		Scheduled to commence March		
Business Continuity		Scheduled to commence February		
Performance Management		Planning		
Asset Management		Scheduled to commence Qtr 4		
Climate Change		Scheduled to commence Qtr 4		
Qtr 1	N/A	Complete	N/A	July 2023
Qtr 2	N/A	Complete	N/A	September 2023
Qtr 3	N/A	Complete	N/A	February 2024
Qtr 4	N/A	Scheduled to commence Qtr 4		
<b>Added Value / Support &amp; Guidance</b>				
Changing Places Grant Award Assurance	N/A	Complete		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
2022/23 Audit Plan				
MasterGov Planning System		Complete	Limited	September 2023
Recruitment*		Complete	Substantial	September 2023
Payroll Controls – Blackpool*		Complete	Substantial	February 2024
Kirkham Regeneration*		Draft Report		
Freedom of Information and Subject Access Requests*		Complete	Limited	November 2023
Externally Managed Events*		Fieldwork		

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.

\*These reviews were delivered during 2023/24 as requested by the Council, and as such will be included in the 2023/24 Head of Internal Audit Opinion.

## 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 and Standards Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Percentage of recommendations raised which are agreed	Each Audit and Standards Committee	Green	All recommendations have been agreed.
Percentage of recommendations which are implemented	Quarterly	Green	All recommendations due are either in progress or have been completed.
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

<b>Report Title</b>	<b>Financial Controls – Cash Income</b>			
Executive Sponsor	Chief Finance Officer			
Objective	To provide assurance that the most significant key controls in relation to cash and banking processes were appropriately designed and operating effectively in practice.			
Assurance Level	Limited			
Recommendations	0 x Critical	2 x High	3 x Medium	0 x Low
Summary	<p>The review found that whilst Policies and Procedures were in place, they were not always followed as required. There was a lack of robustness of the Bank Account Reconciliation processes. It was also identified that there was a lack of formalised contractual arrangements with the provider of car park cash collection services. Additionally, the following issues were identified:</p> <ul style="list-style-type: none"> <li>• The Council has not developed thresholds for internally investigating and reporting on banking variations between receipted and banked amounts.</li> <li>• Attendance at a cash count noted a float shortfall, which was later reduced as further monies were located.</li> <li>• The Council sometimes used manual receipts for cash income, which are not pre-numbered for audit trail purposes.</li> </ul>			

<b>Report Title</b>	<b>Beach Safety</b>			
Executive Sponsor	Head of Place and Culture			
Objective	To evaluate processes and controls that are established and operated to identify and manage risks in relation to compliance with Beach Safety requirements.			
Assurance Level	Moderate			
Recommendations	0 x Critical	1 x High	5 x Medium	2 x Low
Summary	<p>The Head of Place and Culture has been tasked with producing a Coastal Management Plan and the timing of this audit was agreed to be undertaken alongside this work. Our audit opinion of moderate assurance reflects the current controls in place, although we acknowledge that the Council’s decision to develop a Coastal Management Plan seeks to identify and address gaps in controls. It is expected that the Plan will be completed by February 2024 and will be subject to review by the Internal Affairs Scrutiny Committee. The Parks and Coastal Services Manager along with the newly appointed Senior Coast and Conservation Officer will be taking this forward, however we recognise that coastal safety is a corporate responsibility to which multiple departments have input and the development of this Plan.</p> <p>Following on from a Coroners inquest into a drowning the Council have worked with RNLI on a beach safety review to identify if there any areas in which improvements can be made. A beach safety risk assessment and review of signage and public rescue equipment was undertaken in May 2023 at Amenity Beach. The Council have received reports from RNLI which make recommendations in relation to management strategies and suggest potential additional control measures to manage hazards. These are to be reviewed as part of the work to develop the Coastal Management Plan.</p> <p>Our review identified a high risk finding relating to the risk assessments not fully completed by the Parks and Coastal Service. We have also noted and made recommendations where improvements could be made in partnership working, capturing data on incidents and evidencing of some training.</p>			

<b>Report Title</b>	<b>Payroll – Blackpool Controls</b>			
Executive Sponsor	Head of Corporate Services			
Objective	To evaluate the robustness and the effectiveness of the systems of control operating at Blackpool Council to support the payroll system and to ensure validity, accuracy, and timeliness of payments to Fylde Council employees.			
Assurance Level	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were generally designed and operating effectively with some improvements identified.</p> <p>There is a Service Level Agreement (SLA) in place for the Payroll and HR Services provided by Blackpool Council with SLA meetings between the Councils held every 6 months. Improvements noted were that the SLA does not include agreed costings for the services provided and representation at the SLA meetings by a member of the Payroll team would be beneficial.</p> <p>Procedures and guidance notes are in place and have been updated to guide the users through the payroll system.</p> <p>Contractual changes and leavers are workflowed through the system, allowing for segregation of duties, commencing with Manager input, then Finance for budget approval, HR approval and finally to Payroll. New starters are set up by HR as part of the recruitment process, these are manually input from the recruitment system into the payroll system, a sample reviewed showed that this process is accurately undertaken. The payroll system is being upgraded to include an automated recruitment system.</p> <p>Bank details are changed by the staff member concerned using employee self-serve, alternatively they can be processed by HR if access to the system is not available for an individual, this is completed on an exceptional basis only.</p>			

Approved timesheets are received directly into Payroll for input and to process the payments. A sample of timesheets was reviewed, and it was found that the approval on the forms was sometimes via an illegible signature, additionally the payroll department do not hold a sample signature list from Fylde. The review also found a couple of minor input errors. These are being investigated by the Payroll Manager.



## Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at January 2024.

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

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				COMMENTS
			✓/S	P	X	Not due	
2019/20							
Commercial Property	9	Limited	6	-	-	3	Remaining actions relate to the creation of an Asset Management Group and Plan. These are not expected to be completed until 2024, due to changes in Committee and departmental structures and emerging priorities. Agreed at Audit and Standards Committee to extend the deadlines for completion.
VAT	3	Moderate	2	1	-	-	A system interface was required and has been implemented. Further checks are required to test it in the live environment.
<b>TOTALS</b>	<b>12</b>		<b>8</b>	<b>1</b>	<b>-</b>	<b>3</b>	

## MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
<b>2021/22</b>											
Project Management	1	Moderate	-	1	-	-	-	1	-	-	There is a lack of resource, and projects workload has increased.
Treasury Management	2	High	1	-	1	-	-	-	-	1	Remaining action is for Committee training to be put in place.
S106	8	Moderate	5	2	-	1	-	1	2	-	A new software system is being introduced in February 2024, which will enable the outstanding actions to be completed.
Property Repairs and Maintenance	8	Limited	5	-	-	3	-	2	1	-	Remaining actions not yet due.
<b>2022/23</b>											
Homelessness	7	Moderate	5	-	-	2	-	-	2	-	Remaining actions not yet due.
Data Sharing Agreements	4	Limited	1	-	-	3	-	2	1	-	Proposed extension to the actions deadline to December 2024, as a result the update to UK Data Protection Laws and record keeping, which is currently going through Parliament.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Cyber Security & Mobile Devices			Confidential								All actions completed.
Conflicts of Interest	10	Substantial	10	-	-	-	-	-	-	-	All actions completed.
Budgetary Control	2	High	-	-	2	-	-	-	-	2	Actions to be completed with the 2024/25 budgets.
Apprenticeship	9	Moderate	9	-	-	-	-	-	-	-	All actions completed.
Risk Management	4	Moderate	2	2	-	-	-	-	2	-	Remaining actions to be completed with the presentation of the Strategic Risk Register at the Audit and Governance meeting in February 2024.
Key Financial Controls	2	Substantial	1	1	-	-	-	-	1	-	Remaining action expected to be completed by 31 <sup>st</sup> March 2024
Recruitment	2	Substantial	1	1	-	-	-	-	1	-	Remaining action in progress.
Mastergov Planning	3	Limited	3	-	-	-	-	-	-	-	All actions completed.
Beach Safety	8	Moderate	-	-	-	8	-	1	5	2	Actions not yet due.
Cash Income	5	Limited	4	1	-	-	-	1	-	-	Remaining action in progress.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Payroll – Blackpool controls	6	Substantial	3	-	-	3	-	-	2	1	Remaining actions not yet due.
<b>TOTALS</b>	<b>81</b>		<b>50</b>	<b>8</b>	<b>3</b>	<b>20</b>	<b>-</b>	<b>8</b>	<b>17</b>	<b>6</b>	

Key to recommendations:

✓/S Implemented or Superseded

P Partially implemented/recommendation in progress

X Recommendation not implemented/awaiting update

C Critical priority recommendation

H High priority recommendation

M Medium priority recommendation

L Low priority recommendation

## 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"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
High	Control weakness that has or is likely to 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"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
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.

## 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.

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# DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEPUTY CHIEF EXECUTIVE	AUDIT AND GOVERNANCE COMMITTEE	1 FEBRUARY 2024	5
<b>UPDATE ON THE STRATEGIC RISK REGISTER</b>			

## PUBLIC ITEM

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

### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources, Councillor Ellie Gaunt.

### PURPOSE OF THE REPORT

The report gives a progress update on the risks contained within the Strategic Risk Register (SRR). The SRR was last presented to the Audit and Standards Committee on 20 July 2023 and detailed the risks alongside any existing control measures.

The Audit and Governance Committee's 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.

### RECOVERABILITY

This decision is recoverable under section 5 of part 3 of the constitution.

### RECOMMENDATIONS

1. To note the progress update of the risks contained within the Strategic Risk Register
2. Approve the updated Risk Management Strategy for 2024 following updates to reflect the new committee structure.

## REPORT

1. This report provides members with an overview of the strategic risks identified facing the council. These risks are kept under regular review by the Council's Strategic Risk Management Group which comprises senior council officers. Reports on these risks, and the actions identified to mitigate these risks, are made to this committee.
2. The Strategic Risk Register is attached (the aspect of the register relating to hacking, virus and ransomware attacks has been redacted), and risks are categorised as follows:
  - Green Risks = Low Risks
  - Yellow Risks = Medium Risks
  - Red Risks = High Risks



3. The strategic risk register was last reviewed by the Strategic Management Group, together with the Corporate Management Team, on 27 July 2023. The most recent version of the Strategic Risk Register will be circulated following the next Strategic Risk Management Group which is scheduled for 25 January 2024.
4. The current risks on the register encompass:
  - Climate change*
  - COVID 19*
  - Partnership working*
  - Hacking, virus, and ransomware attack*
  - Legacy ICT systems*
  - Kirkham Futures regeneration programme*
  - Management of key assets*
  - Public reform – procurement*
  - Recruitment and Retention*
5. New risks identified in 2023 were inflationary and cost of living pressures together with leisure provision. Action plans to mitigate these specific risks have been developed and will be included within the next update on strategic risk to be presented to members.
6. Members attention is also brought to the updating of the Risk Management Strategy for 2024. This has updated to reflect the new committee structure. Also of note is that the council's risk management function will be subject to a follow up review in April 2024. The review conducted in 2023 identified that there was an adequate system of internal control in place via the Strategic Risk Management Group and the former Audit and Standards Committee.
7. The next Strategic Risk Management Group will take place at the latter end of this month and regular updates will continue to be provided to this committee on an on-going basis going forward.

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	

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.

**SUMMARY OF PREVIOUS DECISIONS**

[Audit and Standards Committee 20 July 2023](#)

**BACKGROUND PAPERS REVELANT TO THIS ITEM**

Name of document	Date	Where available for inspection
None		

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning, Stephen Benson	01253 658521 01253 658488	16/01/2024

Attached documents  
Risk Management Strategy  
Strategic Risk Register to follow



## Risk Management Strategy 2024

## FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, refreshed in January 2022. The aim of the Strategy is to improve strategic and operational risk management throughout the Council. Effective risk management allows the Council to:

- Ø have increased confidence in achieving its corporate objectives.
- Ø mitigate threats to acceptable levels.
- Ø make informed decisions about exploiting opportunities.
- Ø ensure that it gets the right balance between rewards and risks.
- Ø improve its partnership working arrangements and corporate governance.

Effective risk management will help to ensure the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver its core objectives and improve outcomes for its residents.

This strategy explains Fylde Council's approach to strategic and operational risk management, and the framework that it will operate to ensure that it arranges its risks effectively.

**Allan Oldfield**  
Chief Executive  
Fylde Council



### Information Box

Title	Risk Management Strategy version 7.0 revised January 2024
Description	Fylde Borough Council's Risk Management Strategy
Primary audience	Members, Chief Executive, Corporate Management Team, Heads of Service and all Fylde Borough Council staff
Contact	Corporate Emergency Planning & Risk Officer – <a href="mailto:stephen.benson@fylde.gov.uk">stephen.benson@fylde.gov.uk</a>
Last revised	January 2024

## 1. Risk Management Objectives

We are exposed to risk both in terms of threats to service provision and from missed opportunities. It is essential that we can demonstrate to our residents that we are fully considering the implications of risk as we plan and deliver services to the community.

Like all organisations, the Council exists to achieve its objectives which are set out in our Corporate Plan. Risk management can help us achieve these goals by fully considering the opportunities and barriers that we may encounter. Our aim is to use strategic risk management as a tool for continuous improvement and to make effective use of the Council's resources.

In addition, the Council must also ensure operation and delivery of services, the health and safety of its service users, employees, and the public at large. This Risk Management Framework supports continuing change including partnership working and alternative methods of service delivery and provides a structured and focused approach to managing them.

This strategy outlines how Fylde Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

## 2. What is Risk Management?

Risk Management can be defined as:

**Risk management is the logical and systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that enables organisations to minimise losses, maximise opportunities and achieve their objectives.**

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. Risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance. The CIPFA/SOLACE framework requires Fylde Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process, and framework. The Framework requires the Council to establish and maintain a systematic strategy, framework, and processes for managing risk. As required by the Accounts and Audit Regulations 2015 the assurance statement is disclosed in the Annual Statement of Accounts and is signed by the Leader of the Council and the Chief Executive.

## 3. Risk Management appetite

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 of managing risk. Functions, projects, and activities that the Council must undertake, that may be identified as medium or high risk must have effective controls in place to minimise the risk to the Council.

## 4. Risk Management approach

The Council will seek to embed risk management into its culture, processes, and structure to ensure that opportunities are maximised. The council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour.

The Council is prepared to take judicious risks to achieve its corporate objectives and enhance the value of the services it provides to the community. Its aims are to:

- Ensure risk management is integrated into the culture of the council.
- Ensure appropriate risk taking is encouraged, particularly to respond to opportunities arising.
- Anticipate and respond to changing social, environmental, and legislative needs, pressures, or constraints as well as changes in the internal environment.
- Manage risk in accordance with best practice including integration with performance and financial management including partnership arrangements.
- Improve performance and efficiency and minimise injury, damage and losses and make effective use of resources.
- Protect the council's assets, reputation, and operational capacity.

These aims will be achieved by:

- Maintaining clear roles, responsibilities, and reporting lines for risk management
- Raising awareness of the need for risk management by all those connected with the Council's delivery of services.
- Gaining commitment from all members and employees, to ensure risk management is managed within a consistent framework.
- Ensuring risk management is explicitly considered in all decision making by, incorporating links to all key decision points e.g., committee reports, project management and partnership agreements.
- Considering risk in all the Council's key planning processes.
- Providing opportunities for shared learning on risk management across the Council and with our business partners.
- Reinforcing the importance of effective risk management as part of the everyday work of members and employees.
- Providing adequate assurance for the management of risk to support the Annual Governance Statement.

## 5. Risk Management Processes

Implementing the strategy involves identifying, analysing, managing, and monitoring risks.

### Risk Identification

The GRACE (Governance, Risk Assessment and Control Evaluation) system has been adopted for use within the Council to enable the completion of risk registers at all levels including the Strategic risk register, service risk registers, projects, key procurements, partnerships, and processes.

Risks and opportunities can be identified at any time and should be included within GRACE. There are numerous ways in which risks and opportunities can be identified, including networking, articles / newsletters, training courses as well as discussions at team meetings and 1-2-1s. In addition, GRACE contains a large database of model risks and controls in the Profile Library which users can scroll through to identify any which may be relevant to their areas of activity.

### Risk Recording

The Council maintains registers for diverse types of risks:

**Strategic risk register** – This contains the high-level risks of the council. It is owned and maintained by the Council's Management Team and Strategic Risk Management Group and kept under continuous review. It is presented to the Audit and Standards Committee every six months.

**Operational risk registers** – These include service, project, partnerships, and process risks. These are assigned to members of Senior Management Team and Senior Managers who have overall responsibility for their maintenance and continuous review. They can allocate individual risks to risk owners who must decide upon and monitor appropriate actions.

The specific information to be recorded in GRACE is as follows:

**Risk description** – this requires an understanding of the legal, social, political, and cultural environment in which the council operates as well as a sound understanding of the Council’s corporate and operational objectives i.e., those factors which are critical to the success of the Council.

**Risk Owner** – a nominated person who is responsible for evaluating and responding to any individual risks allocated to them.

**Assessment of Risk** – having identified areas of potential risk, they need to be systematically and accurately assessed. The process requires managers to assess the likelihood and potential impact of a risk event occurring and scored according to the matrix below:

Severity	5	Catastrophic						
	4	Major						
	3	Moderate						
	2	Minor						
	1	Insignificant						
				1	2	3	4	5
			Rare	Unlikely	Possible	Likely	Almost Certain	
			Likelihood					

### Likelihood Definitions

1 – Rare	Highly unlikely, but it may occur in exceptional circumstances. It could happen but probably never will
2 - Unlikely	Not expected, but there is a slight possibility it may occur at some time
3 - Possible	The event might occur at some time as there is a history of casual occurrence at FBC and / or similar organisations
4 – Likely	There is a strong possibility the event will occur as there is a history of frequent occurrence at FBC and / or similar organisations
5 – Almost certain	Very Likely. The event is expected to occur in most circumstances as there is a history of regular occurrence at FBC and / or similar organisations.

### Severity Definitions

1 - Insignificant	Minimal Financial Loss, no or only minor personal injury. Systems unavailable for less than an hour. No reputational impact.
2 - Minor	£1000 - £10,000 financial loss. Minor injury requiring medical treatment. Systems unavailable for a few hours. Adverse media coverage
3 - Moderate	£10,000 - £50,000 financial loss. Hospitalisation, systems unavailable for less than 1-day, adverse national media coverage

4 - Major	£50,000 - £750,000 financial loss. Single death or long-term illness or multiple injuries, systems unavailable for a day, adverse and extended media coverage
5 - Catastrophic	Above £750,000 financial loss. Fatalities or permanently ill/disabled, systems unavailable for more than a day, government / HSE enquiry.

**Existing Control Measures** – any controls or measures that reduce the likelihood or impact of a risk.

**Residual Risk Score** – this risk score which takes account of any existing control measures in place (see above matrix).

**Risk Categories** – risks should be assigned to one of the categories listed below:

- **Strategic** – risks impacting upon the achievement of the corporate objectives and priorities.
- **Financial** – risks associated with financial planning and control.
- **Human Resources** – risks associated with recruiting, retaining and motivating staff & developing skills.
- **Environmental** – risks related to pollution, noise, or energy efficiency.
- **Information** – risks related to information held.
- **Legal / regulatory** – risk relating to legal / regulatory requirements.
- **Operational** – risks relating to operational activity.
- **Partnership / Contractual** – risk relating to the failure of partners / contractors or the contract itself.
- **Physical** – risk related to fire, security, accident prevention & health and wellbeing.
- **Reputational** – risk relating to the reputational risk to the council.
- **Technological** – risks associated with technology.

**Target Risk Score** – in broad terms there are four main options for responding to risks which remain within the organisation.

**Terminate** - this involves the Council in terminating the cause of the risk or, opting not to take a current or proposed activity because it believes it is too risky.

**Tolerate** - this is where the cost of action outweighs the benefit that results from the proposed action. Alternatively, no further action can be taken, and the risk is accepted with any potential financial loss being highlighted.

**Transfer** - this involves transferring liability for the consequences of an event to another body. This can occur in two forms. Firstly, legal liability may be transferred to an alternative provider under contractual arrangements for service delivery. Secondly, transferring some or all the financial risk to external insurance companies may reduce the costs associated with a damaging event.

**Treat** - this is dependent on implementing projects or procedures that will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

The target risk score therefore may be the same or lower than the residual risk score and reflects the level of risk the Risk Owner is willing to accept (see above matrix).

**Risk Actions** – where further treatment of the risk is deemed necessary then the Risk Owner will determine the course of action to be taken. The action to manage risk needs to be appropriate,



achievable, and affordable. The impact expected if no action is taken should be considered against the cost of action and the reduction of the impact. For opportunities, the benefit gained in relation to the cost of action should be considered.

## Risk Monitoring

Individual risks are reviewed in accordance with GRACE parameters depending upon the level of risk:

Red / Pink risks – 3 months

Amber / Yellow risks – 6 months

Green risks – 12 months.

The overall risk management system is reviewed by Mersey Audit as part of their annual audit work

In accordance with the Public Sector Internal Auditing Standards the Chief Internal Audit Executive's

Annual Report is required to provide an opinion based on an objective assessment of the framework of governance, risk management and control.

Risk management assurance will also be published in the Council's Annual Governance Statement.

## Risk Reporting

The Strategic Risk Register is continuously monitored by the Council's Management Team and Strategic Risk Management Group and reported to the Audit and Governance Committee every six months.

Service Risk Registers and those in relation to key projects, procurements, partnerships, and processes are monitored by members of the Senior Management Team.

GRACE has also enabled a modern risk-based approach to internal auditing by engaging service departments in the self-assessment of their own system risks via the completion of on-line risk registers prior to the commencement of audits. System/process risks are reported as part of ongoing Internal Audit work.

Finally, all Committee reports include the consideration and control of the risks associated with the actions proposed.

## 6. Roles and Responsibilities

The following describes the roles and responsibilities that members and officers will play in introducing, and embedding the risk management process: -

### All members

- Ø Support and promote an effective risk management culture.
- Ø Constructively review and scrutinise the risks involved in delivering the council's core purpose, priorities, and outcomes.

## **Executive Committee**

- Ø Risk manages the council in delivering its core purpose, priorities, and outcome.
- Ø Consider and challenge the risks involved in reaching decisions

## **Audit and Governance Committee**

- Ø In accordance with their Terms of Reference, monitor the effective development and operation of risk management in the council.
- Ø To monitor progress in addressing risk relating issues reported to the committee.

## **Chief Executive, Senior Management Team & Strategic Risk Management Group**

- Ø Champion an effective council-wide risk management culture, with the Deputy Chief Executive the designated CMT lead on risk with responsibility for Chairing the Strategic Risk Management Group.
- Ø Identify and manage the business risks and opportunities facing the Council.
- Ø Co-ordinate risk management across the Council
- Ø Ensure members receive relevant risk information.

## **Heads of Service**

- Ø Responsible for the effective leadership and management of risk in their service areas to meet service objectives in line with the Council's Risk Management Strategy
- Ø With the appropriate risk owner, maintain the relevant risk registers ensuring all key risks are identified, managed, and reviewed in line with the corporate risk management approach.
- Ø Review and evaluate operational, project, partnership risks within their Directorate at team meetings, 1-2-1s etc.
- Ø Attending the Strategic Risk Management Group
- Ø Encourage staff to be open and honest in identifying risks and opportunities.
- Ø Ensure that appropriate resources and importance are allocated to the process.
- Ø Provide assurance that the risks for which they are the risk owner are being effectively managed. This will be completed as part of the Annual Governance review process.

## **Section 151 Officer**

- Ø Through the Internal Audit Service, provide assurance to the Council on the complete system of internal control, including risk management.

## **Audit service**

- Ø As part of its role in providing assurance to the Section 151 officer, will review the implementation and effectiveness of the system of risk management. An annual report will provide independent opinion on the adequacies of risk control and the Council's corporate governance arrangements and risk management is included within the review of the Annual Governance Statement.
- Ø Act as a centre of expertise, providing support and guidance as required.
- Ø Collate risk information and prepare reports as necessary to both the Senior Management Team, Strategic Risk Management Group, and the Audit & Governance Committee
- Ø Ensure the Internal Audit work plan is focused on the key risks facing the council.
- Ø During all relevant audits, challenge the content of risk registers.
- Ø Periodically arrange for the independent review of the council's risk management process and provide an independent objective opinion on its operation and effectiveness.

## **Corporate Emergency Planning & Risk Officer**

- Ø To lead the delivery of risk management arrangements across the Council
- Ø Provide information, advice, and support on the management of risk and work with the Council's lead officer for risk management to develop, manage and implement the Council's risk management policy and strategy.

## **Project / Procurement Managers**

- Ø Ensure that the risks associated with their projects / procurements are identified, recorded on GRACE, and regularly reviewed as part of the project management process and provide assurance about the management of those risks.

## **Partnerships**

- Ø Client officers to ensure that risks are identified, owned, recorded on GRACE reviewed and shared with all relevant partners and to provide assurance that those risks are being managed.

## **Employees**

- Ø Responsibility for managing risk is not restricted to any one person or group of specialists. All employees have a responsibility to manage risk effectively in their job and report opportunities, threats and risks to their respective managers and undertake their duties within risk management guidelines. Those officers involved in decision-making should also explicitly consider the implications of risk management and document their findings appropriately.

# Strategic Risk Management Group – Terms of Reference

### Meetings

The Strategic Risk Management Group (SRMG) will meet on a regular basis (minimum of 4 meetings per year); however, the Chairperson may call extra meetings, as necessary.

### Chairmanship

The Chair of the Group will normally be appointed by the CMT and is currently the Deputy Chief Executive.

### Secretary

The Secretary of the Group will normally be appointed by the CMT and will be someone who works on operational risk.

### Membership of the Group

Every service area will be represented at the Group by a senior member of its team and where possible, membership will be rotated over a cycle of several meetings so that risk management is promoted to as many senior officers as possible. Additional staff members may attend the meeting where it is considered beneficial to have their input on matters being discussed.

### Purpose, Focus and Scope of the Risk Management Group

- Ø The purpose of the SRMG is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues.
- Ø SRMG should promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures.
- Ø Risk management should be seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing."
- Ø SRMG should investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
- Ø SRMG should also advise the Senior Management Team on risk management issues referred to it by directorates.
- Ø The SRMG manages 'corporate risks' which affect the Council's ability to fulfil its Corporate Objectives and is concerned with major Business risk.
- Ø The RMG will also monitor the Council's Emergency Planning, Business Continuity and Disaster Recovery Plans, as well as Information Security/Risk and Data Protection

### Minutes and Reports

Minutes of meetings are retained and held on SharePoint, the Chair of the SRMG should summarise any relevant risk management issues under the standing item on governance at meetings of the Senior Management Team.

# DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEPUTY CHIEF EXECUTIVE	AUDIT AND GOVERNANCE COMMITTEE	1 FEBRUARY 2024	6
<b>CORPORATE GOVERNANCE ACTION PLAN UPDATE</b>			

**PUBLIC ITEM**

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

**RELEVANT LEAD MEMBER**

This item is within the remit of Lead Member for Finance and Resources, Councillor Ellie Gaunt.

**PURPOSE OF THE REPORT**

This report provides an update on progress towards completion of actions with the Corporate Governance Action Plan.  
 The actions were identified by the Corporate Governance Group and reported in the Annual Governance Statement.

**RECOVERABILITY**

This decision is not recoverable because it relates to:

- A recommendation to the council or to any other committee or sub-committee of the council

**RECOMMENDATIONS**

1. To note the progress on the actions to date and offer any comments.

**REPORT**

1. The Corporate Governance Group comprising the Deputy Chief Executive, Chief Financial Officer, Head of Governance, Head of Internal Audit and Head of Corporate Fraud, meet throughout the year to monitor and promote good governance practices across the council.
2. Part of the Group’s remit is to prepare and present the Annual Governance Statement, which includes the Corporate Governance Action Plan.
3. The Corporate Governance Action Plan identifies areas of governance work to improve upon.
4. The Corporate Governance Action Plan for 2023/24 and progress towards the completion of those actions is attached at Appendix 1.
5. The committee are requested to consider the actions, note progress to date and offer any comments.

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	✓

IMPLICATIONS	
Finance	None arising from this report.
Legal	None arising from this report.
Community Safety	None arising from this report.
Human Rights and Equalities	None arising from this report.
Sustainability and Environmental Impact	None arising from this report.
Health & Safety and Risk Management	None arising from this report.

SUMMARY OF PREVIOUS DECISIONS
An update on the Corporate Governance Action Plan is brought to committee annually.

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection
None		

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	<a href="mailto:tracy.manning@fylde.gov.uk">tracy.manning@fylde.gov.uk</a>	7 January 2024

Attached documents  
Corporate Governance Action Plan – 2023/20204

## Corporate Governance Action Plan 2023-2024

Area Requiring Action	Senior Responsible Officer	Commentary	Status	Completion Date
Succession Planning approach to be approved and implemented	Gemma Broadley (Head of Corporate Services)	The Head of Paid Service has endorsed planning for business-critical posts, career aspirations of employees and identification of skills gaps to be addressed by Heads of Service through annual Service Plans . This will ensure that skills shortages are addressed and steps to address these are put in place.	Completed	31 <sup>st</sup> October 2023
UK GDPR – awareness raising to assist managers in meeting their compliance obligations	Ian Curtis (DPO) and Ben McCabe (Deputy DPO)	Support and awareness raising is ongoing. This is a continuing commitment to maintain awareness levels of the existing framework whilst waiting for forthcoming data protection legislative changes.	In-progress	On-going
Scrutiny	Ian Curtis (Head of Governance)	Support and awareness raising regarding the new scrutiny function will be on-going. Protocols and procedures are being developed and this work will be on-going whilst the scrutiny function continues to be embedded within the organisation. Support will be provided to members serving on these committees by officers specialising in this area.	In-progress	31 <sup>st</sup> March 2024
Support for new elected members	Ian Curtis (Head of Governance)	A training programme to support newly elected members including bespoke internal and external training has been implemented, together with a buddy scheme where new members have been provided with an officer who can help them to navigate both the organisation and its processes.	In-progress	31 <sup>st</sup> March 2024

Planning Service	Mark Evans (Head of Planning)	Implementation of Planning Advisory Service Improvement Plan actions	In-progress	31 <sup>st</sup> March 2024
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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND GOVERNANCE COMMITTEE	1 FEBRUARY 2024	7
<b>REVIEW OF COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE</b>			

### PUBLIC ITEM

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

### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources, Councillor Ellie Gaunt.

### PURPOSE OF THE REPORT

The CIPFA Financial Management Code (the 'code') was first published in 2019 and took full effect from 1st April 2021, with local authorities required to carry out a self-assessment exercise to measure the level of compliance with the code for the 2021/22 financial year. A report was presented to the Audit and Standards meeting in February 2022 which set out a review of the Council's compliance with the code.

It is considered best practice that a review of the self-assessment is undertaken periodically to ensure continued compliance with the code.

This report provides an update on the Council's compliance with CIPFA's Financial Management Code.

### RECOVERABILITY

This decision is recoverable under section 5 of part 3 of the constitution.

### RECOMMENDATIONS

The committee is recommended to note:

1. That a review of the self-assessment exercise (designed to measure the level of compliance with the standards as set out in the CIPFA Financial Management Code) has been undertaken for the 2024/25 financial year; and
2. That the self-assessment and the actions to ensure continuing compliance with the code are set out in Appendix A to this report.

### REPORT

1. The Local Government financial framework in the UK is governed by primary legislation, regulation and professional standards, as supported by statutory provision. The financial management of a local authority, however, was not previously supported by a professional code. The CIPFA Financial Management Code (the 'code') was introduced in 2019 because the exceptional financial circumstances faced by local authorities revealed concerns about fundamental weaknesses in financial management, particularly in relation to some local authorities which may be unable to maintain services in the future.

2. Whilst there is much good practice across the sector, the failures of a small number of authorities threatened stakeholders' confidence in local government as a whole. The code is therefore designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets the standard of financial management for local authorities. Although the code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities.

### The Financial Management Code

3. The purpose of the code is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations on an individual level.
4. While the statutory local authority budget-setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.
5. In terms of longer-term financial planning, one of the objectives of the code is to support organisations to be able to demonstrate that they have the leadership, capacity and knowledge to be able to plan effectively. This must be balanced against retaining the integrity of the annual budget preparation process when the need to make difficult decisions may threaten its integrity.
6. Significantly, the code builds on the success of the CIPFA Prudential Code, which requires local authorities to demonstrate the long-term financial sustainability of their capital expenditure and any associated borrowing. With this success came new financial freedoms to make local decisions on matters that had previously been subject to central government control.
7. The code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The code incorporates existing requirements on local government in order to provide a comprehensive picture of financial management in the authority.
8. The application of the code will therefore provide the strong foundation within local authorities to enable them to:
  - Financially manage their short-medium and long-term finances,
  - Manage financial resilience to meet foreseen demands on services, and
  - Financially manage unexpected shocks in their financial circumstances.
9. The underlying principles that inform the code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable. The principles are as follows:
  - **Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
  - **Accountability** - based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
  - **Financial management is undertaken with transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
  - **Adherence to professional Standards** is promoted by the leadership team and is evidenced
  - **Sources of assurance are recognised** as an effective tool mainstreamed into financial management and includes political scrutiny and the results of external audit, internal audit and inspection

- **The long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

- Each local authority must demonstrate that the requirements of the code are being satisfied. However, the code is not expected to be considered in isolation, rather to complement and accompany existing tools and mechanisms to form part of the collective suite of evidence to demonstrate sound decision making and an holistic view to proper financial management.
- Demonstrating this compliance with the code is a collective responsibility of Elected Members, the Chief Financial Officer and their professional colleagues in the leadership team. It is CIPFA's intention that the leadership team will work with Elected Members in ensuring compliance with the code in order to demonstrate the standard of financial management to be expected of a local authority. In doing this, the view of CIPFA is that statutory role of the Section 151 Officer will be both recognised and supported in achieving the leadership roles essential for good financial management.
- A review of the previous assessment of the Council's level of compliance with the standards contained within the code has been carried out, as shown at Appendix A.

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	✓

IMPLICATIONS	
Finance	There are no financial implications arising directly from this report. The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility (supported by Management Team and elected members) for ensuring compliance with the Financial Management Code. Actions and responsibilities are outlined in appendix A to this report.
Legal	No implications arising from this report
Community Safety	No implications arising from this report
Human Rights and Equalities	No implications arising from this report
Sustainability and Environmental Impact	No implications arising from this report
Health & Safety and Risk Management	No implications arising from this report

SUMMARY OF PREVIOUS DECISIONS
A report was presented to the Audit and Standards meeting in February 2022 which set out an initial review of the Council's compliance with CIPFA's Financial Management Code.

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	January 2024

**BACKGROUND PAPERS**

Name of document	Date	Where available for inspection
N/A	N/A	N/A

**Attached document**

Appendix 1 – Assessment of the Level of Compliance with the CIPFA Financial Management Code

**Chief Financial Officer Assessed Level of Compliance with the CIPFA FM Code  
January 2024**

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
<b>Responsibilities of the Leadership Team and Chief Financial Officer (CFO)</b>				
A	<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).</p> <p><b>Detail:</b></p> <p>Legislative requirement for Authorities to deliver VFM.</p> <p>Delivery of VFM depends on decisions of Elected Members.</p> <p>Shared responsibility across the leadership team to communicate and understand the risks involved.</p>	17-18	<p><b>ASSESSMENT - GREEN</b></p> <p>Value for Money is assessed as part of the external audit process – and the Council has had a clean VFM assessment for every year up to and including 2020/21. There are outstanding VFM opinions in respect of 2021/22 and 2022/23 as Deloitte are yet to complete their assessment for those years.</p> <p>The Leadership Board oversees the annual budget setting process and provides a strategic steer of the level of corporate growth and/or savings required each year. The Leadership Board also reviews the Medium Term Financial Strategy (MTFS) and budget, including forecasting on an ongoing basis throughout the year.</p> <p>Growth bid business cases for spending plans are reviewed by Management Team before passing through to the Leadership Board for consideration prior to consideration by the Executive Committee and the scrutiny process. Budget decisions are ultimately made at Full Council in line with the Constitution and Financial Regulations.</p> <p>The CFO (S151 Officer) is required to make a statement on the ongoing robustness of the financial position of the Council having taken account of all risks identified in the MTFS.</p>	<p><b>Actions:</b></p> <p>The Council will continue to assess Value for Money on an ongoing basis and address any issues identified in the annual review of VFM carried out by the council's external auditors.</p> <p><b>Responsible:</b></p> <p>Management Team</p>

**APPENDIX A**

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
B	<p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government</p> <p><b>Detail:</b> In summary this Statement requires that:</p> <ul style="list-style-type: none"> <li>The CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest.</li> <li>The CFO must be actively involved in, and able to bring influence to bear, on all material business decisions, to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s financial strategy.</li> <li>The CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.</li> <li>The CFO must lead and direct a finance function that is resourced to be fit for purpose.</li> <li>The CFO must be professionally qualified and suitably experienced.</li> </ul>	18-19	<p><b>ASSESSMENT - GREEN</b></p> <p>The CFO, the Deputy CFO, and the Corporate Finance Managers are all qualified accountants with significant post-qualification experience within local government.</p> <p>The CFO is a key member of Management Team (MT) and meets with the Chief Executive, Deputy Chief Executive, Heads of Service, Council Leader, Lead Member for Finance &amp; Resources, and other Senior Members on a regular basis to discuss all matters pertaining to the financial management of the council.</p> <p>The CFO is lead professional advisor to the Leadership Board which oversees the annual budget setting process and provides a strategic steer of the level of corporate growth and/or savings required each year. The Leadership Board also reviews the Medium Term Financial Strategy (MTFS) and budget, including forecasting on an ongoing basis throughout the year.</p> <p>All Council and Committee Reports are considered by MT in advance of publication.</p> <p>The Finance Team consists of 11 FTE officers providing professional services across the council including financial advice and support to members and budget holders, statutory reporting requirements, capital and revenue budget monitoring, treasury management, VAT and insurance services, creditor payments, debtor invoicing and cashiering. The council also buys in Internal Audit services from MIAA and delivers a Corporate Fraud service in partnership with Preston and Lancaster City Councils.</p> <p>The Finance Team includes 4 fully qualified accountants and 5 part qualified, or fully AAT qualified, officers. All officers are offered continued professional development. The Council also subscribes to additional professional expertise and advice in relation to technical accounting, treasury management, financial management and planning, and taxation.</p>	<p><b>Actions:</b></p> <p>To continue to support professional development within the Finance Team.</p> <p>To continue to build and develop the resilience of the Finance Team in terms of developing internal expertise.</p> <p><b>Responsible:</b></p> <p>Chief Financial Officer and Deputy</p>

**APPENDIX A**

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
<b>Governance and Financial Management Style</b>				
C	<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p> <p><b>Detail:</b></p> <p>A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles.</p> <p>Clarity over the role of Head of Paid Service and Monitoring Officer.</p> <p>The Audit Committee provides independent assurance over governance, risk and internal control arrangements, with a focus on financial management, financial reporting and audit and assurance.</p> <p>Leadership Team with a culture of constructive challenge based on realism.</p> <p>Goals, assumptions, and implementation plans are rigorously examined.</p>	21	<p><b>ASSESSMENT – GREEN</b></p> <p>The Financial Procedure Rules within the council's constitution inform the role of Budget Holders. Job descriptions and the job evaluation system recognise management of resources as a key responsibility. This is assigned at a level so that service delivery and budget can be aligned.</p> <p>The roles of the Head of Paid Service and Monitoring Officer are defined in the Council's Constitution.</p> <p>The Terms of Reference for the Audit and Governance Committee cover the areas referenced.</p> <p>The Internal Audit Service has provided assurance over the effectiveness of the Governance of the Council, and the system of Internal Control, through the provision of an annual assessment to assist in the production of the Annual Governance Statement.</p> <p>Internal Audit play a key part in the Council's assurance framework and meet routinely with the Monitoring Officer, The Head of Governance and the CFO to ensure that Audit resources are appropriately directed towards the areas of greatest need (applying a risk-based approach) and that audit actions are followed up.</p> <p>The Corporate Governance Group, with membership including the Monitoring Officer, The Head of Governance and the CFO and the Head of Internal Audit Service, meets regularly with a remit that encompasses review and oversight of risk management and governance and internal control arrangements across the Council.</p>	<p><b>Actions:</b></p> <p>Regular Internal Audit Progress reports are scheduled for discussion at the Corporate Governance group and MT to ensure sufficient focus on implementing agreed actions.</p> <p>This will include improving the timeliness of agreeing actions from internal audit and the implementation of those actions.</p> <p><b>Responsible:</b></p> <p>Management Team</p> <p>Corporate Governance Group</p>

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
D	<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)</p> <p><b>Detail:</b></p> <p>This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement.</p>	22	<p><b>ASSESSMENT - GREEN</b></p> <p>The Council prepares a comprehensive Annual Governance Statement in line with the framework within CIPFA's Local Code of Corporate Governance.</p> <p>The draft AGS is provided to the Audit and Governance Committee for review and approval in advance of its inclusion in the Statement of Accounts on an annual basis.</p>	<p><b>Actions:</b></p> <p>None Identified</p>



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Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
E	<p>The financial management style of the authority supports financial sustainability</p> <p><b>Detail:</b></p> <p>Strong financial management is assessed against a hierarchy of:</p> <ol style="list-style-type: none"> <li>1. delivering accountability,</li> <li>2. supporting performance and</li> <li>3. enabling transformation.</li> </ol>	22-23	<p><b>ASSESSMENT - GREEN</b></p> <p>The Council’s Corporate Plan and MTFS set the strategic framework for the work and financial plans of the Council and recognise the agreed corporate priorities and objectives.</p> <p>Budgets are prudent and sustainable to ensure that a balanced budget is maintained, and that in-year expenditure is matched by income from Council Tax, Business Rates, New Homes Bonus, sales, fees and charges income, and grants from government and other bodies,</p> <p>Funding from reserves is used to support one-off investments or initiatives, subject to approval of business cases via the appropriate Committee or by the Council.</p> <p>Significant risks are identified, monitored, reported and mitigating actions identified to manage these.</p> <p>The Capital Programme is planned over a 5-year period.</p> <p>The uncertainties around future government funding (e.g. the Fair Funding Review and the future of Business Rates Retention) are recognised and reflected in the MTFS, Capital Strategy and appendices to the budget council report.</p> <p>Council Tax increases are kept within the referendum limits, and preliminary assumptions regarding future year increases are set out within the MTFS, recognising that these may be subject to change.</p> <p>Prudent levels of general balances, reserves and contingencies are maintained in the context of an assessment of the risks facing the Council In achieving stages 1 and 2 of the CIPFA FM Code hierarchy, Budget Holders, with support from finance, take responsibility and ownership for spend against their approved budgets.</p>	<p><b>ACTIONS:</b></p> <p>The existing corporate planning and financial management regimes will continue to be improved where possible to ensure robust processes are in place to ensure a sustainable financial outlook for the authority whilst delivering the strategic objectives set out in the Corporate Plan.</p> <p><b>Responsible:</b>            Management Team            Chief Financial Officer</p>

Long to Medium Term Financial Management				
Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
F	<p>The authority has carried out a credible and transparent financial resilience assessment.</p> <p><b>Detail:</b></p> <p>Requirement to test sustainability against plausible scenarios of cost drivers, service demands, resources and key risks.</p> <p>Review of alternative options to match demand and resources.</p>	25-26	<p><b>ASSESSMENT - GREEN</b></p> <p>Financial resilience underpins the objectives of the Council's MTFS and an annual budget risk assessment is undertaken to support this.</p> <p>As part of the budget setting process the level of reserves are reviewed to ensure they are robust in light of the assessment of financial risks that the Council is exposed to.</p> <p>The service and financial planning process provides information on cost and demand drivers to enable robust and informed financial planning in each service area.</p> <p>The MTFS is updated regularly throughout each year and includes appendices that outline the key assumptions regarding the 5 year revenue and capital budget forecasts. In line with the requirement of the Code of Practice these assumptions are prudent. Where budget risk is identified, reserves and other resources have been set aside to enable the Council to set a robust MTFS.</p>	<p><b>ACTIONS:</b></p> <p>The council will continue to review its level of reserves as part of the budget setting process to enable it to manage budget risk.</p> <p>Regular finance reports will be presented to the Executive Committee and the Internal Affairs Scrutiny Committee alongside performance reports that are presented to the Internal Affairs Scrutiny Committee to enable members to evaluate the risks to the budget and risks to corporate performance.</p> <p><b>Responsible:</b></p> <p>Management Team Chief Financial Officer</p>

**APPENDIX A**

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
G	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p> <p><b>Detail:</b></p> <p>Based on the above, have a long term financial strategy that links to vision, strategy and outcomes.</p> <p>This should include a vision of what services will look like in the future to achieve financial sustainability. The length of “the long term” is undefined and should be linked to the risks faced. Potentially should be 10 years+.</p>	26	<p><b>ASSESSMENT – AMBER</b></p> <p>The MTFS is developed in consultation with Management Team and Elected Members. It is approved by the Executive Committee before being recommended to Full Council. The Corporate Plan is approved prior to the MTFS with the budget approved to deliver the outcomes outlined in the plan.</p> <p>The Council produces a rolling 5 year MTFS based on assumptions that are outlined in full within the report considered annually at the Budget Council meeting.</p> <p>Briefings and reports to Members, including the Leadership Board, are clear about medium-term budget risks and sustainability. This includes the budget impact from potential Government reforms. However, due to ongoing uncertainty around the future of the local government funding regime, it is not deemed feasible to develop a revenue and capital budget beyond a 5 year period.</p> <p>The Council retains prudent levels of resources to manage risks over the medium term as outlined in the MTFS.</p> <p>The capital programme covers a 5 year period and reflects the Council’s key strategic objectives as set out in the Corporate Plan.</p>	<p><b>Actions:</b></p> <p>None identified at this point in time as the relevance and accuracy of financial modelling and forecasting beyond the 5 year period is very much dependant on clarity from central government on the future of local government funding; specifically the outcomes of the Fair Funding Review, the outcome of consultation into the future of the New Homes Bonus scheme, and the review of Business Rates Retention, all of which are overdue but not imminent.</p> <p>We will continue to monitor this position on an ongoing basis and pending the availability of further information on the future of local government funding, we will consider development of the MTFS and financial planning beyond the 5 years that are currently modelled.</p> <p><b>Responsible:</b></p> <p>Chief Financial Officer</p>

**APPENDIX A**

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
H	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p> <p><b>Detail:</b></p> <p>The Council has a long-term Capital Strategy that ensures that assets are managed, and future plans are linked to capital resources available.</p> <p>Commercial investment activity should be considered over a suitable time horizon with risks fully considered.</p> <p>Ensure compliance with the Prudential Code if borrowing.</p>	26-27	<p><b>ASSESSMENT - GREEN</b></p> <p>Management of the Council's Capital and Treasury Management activities are governed by the Capital Strategy, Treasury Management Strategy and Prudential Indicators which are part of the MTFS approved annually by the council and aim to ensure the Council's capital expenditure plans are prudent, affordable and sustainable, with any decisions on borrowing taken in line with spending plans considering available funding, cash flow needs and interest rates (both current and future forecasts). Regular Treasury Management Reports are presented to the Audit and Governance Committee.</p> <p>The Council has an approved Commercial Strategy which sets out the council's approach to commercial investments.</p> <p>The Council's Capital Strategy, Treasury Management Strategy and Prudential Indicators comply with the requirements of the Prudential Code.</p>	<p><b>Actions:</b></p> <p>The Council will continue to monitor compliance with the CIPFA Code and regular monitoring reports will continue to be prepared for the Audit and Standards Committee.</p> <p><b>Responsible:</b></p> <p>Chief Financial Officer</p>
I	<p>The authority has a rolling, multi-year medium-term financial plan consistent with sustainable service plans.</p> <p><b>Detail:</b></p> <p>Translation of the long-term view into a more detailed medium-term financial plan. The time frame of which should support financially sustainable decision making.</p> <p>Clear link to service plans.</p>	27	<p><b>ASSESSMENT - GREEN</b></p> <p>The Council has a 5 year indicative budget at a detailed level which ensures the delivery of priorities as set out in the Corporate Plan and Service Plans and underpins the MTFS which is considered by Members. This is updated throughout each financial year with the process of revision beginning in summer and feeding through Member meetings during the budget setting cycle each year.</p> <p>Regular updates are provided throughout the budget setting process, including to the Leadership Board, to the Executive Committee and to Full Council on the latest information and assumptions in respect of funding, costs and risks.</p>	<p><b>Actions:</b></p> <p>None Identified.</p>

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
<b>Annual Budget</b>				
J	<p>The authority complies with its statutory obligations in respect of the budget setting process.</p> <p><b>Detail:</b></p> <p>These are generally covered by part 2 of Local Government Act 2003. This includes robustness of estimates and reserves (covered below) and the requirement for financial monitoring.</p> <p>It also includes section 114 of the Local Government Finance Act 1988, which requires the CFO to issue a report if the Council is about to incur unlawful expenditure. This would include setting an unbalanced budget.</p>	29	<p><b>ASSESSMENT - GREEN</b></p> <p>The Council sets a balanced budget and complies with the requirement in relation to the S151 Officer statement (s25) on the robustness of the budget and the adequacy of reserves.</p> <p>There are well-established budget monitoring procedures in place including regular budget monitoring reports presented to the Internal Affairs Scrutiny Committee</p>	<p><b>Actions:</b></p> <p>None Identified.</p>

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Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
K	<p>The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</p> <p><b>Detail:</b></p> <p>Reserves to be considered as part of the budget process and should be 'adequate' and 'necessary'. They should enable the Council to manage unexpected events from within its own resources.</p> <p>The budget report details earmarked reserves held, the purpose of each reserve and estimated opening and closing balances.</p>	29-30	<p><b>ASSESSMENT - GREEN</b></p> <p>The MTFS Report to Budget Council in March each year includes a statement from the Chief Financial Officer on the robustness of the estimates included within the budget and a statement on the adequacy of the proposed level of reserves.</p> <p>The MTFS budget report also details earmarked reserves held, the purpose of each reserve and estimated opening and closing balances.</p>	<p><b>Actions:</b></p> <p>None Identified.</p>

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
<b>Stakeholder Engagement and Business Plans</b>				
L	<p>The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.</p> <p><b>Detail:</b></p> <p>Enabling residents to understand that resources are limited, and spending has to be prioritised.</p> <p>Leadership Team redirects resources to areas of higher priority.</p> <p>Understanding of statutory service delivery requirements.</p> <p>Use stakeholder consultation to set priorities.</p> <p>Helps to encourage community involvement, which could help reduce costs.</p>	31	<p><b>ASSESSMENT - GREEN</b></p> <p>The budget and MTFS are developed in consultation with members and MT, building on discussions held with budget holders to identify pressures and savings.</p> <p>The Leadership Board meets throughout the budget setting cycle annually to highlight the key budget issues and to encourage further discussion.</p> <p>A budget consultation takes place as part of the budget setting process, the results of which are reported to members.</p> <p>A residents survey is conducted on a regular basis along with consultation on specific developments and proposals, each of which encourages community involvement and informs service delivery improvements.</p>	<p><b>Actions:</b></p> <p>To continue the existing approach to stakeholder engagement to assist in the development of medium-term financial planning and the development of budget proposals.</p> <p><b>Responsible:</b></p> <p>Management Team</p>

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Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
M	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p> <p><b>Detail:</b></p> <p>Decisions are made from clear business cases that detail the upfront and ongoing costs and benefits.</p> <p>Where appropriate the time value of money should be considered.</p> <p>Alternative options should be considered.</p> <p>The complexity of the business case should be proportionate to the decision.</p>	31-32	<p><b>ASSESSMENT - GREEN</b></p> <p>All formal decisions of the council are made either by a meeting of the Full Council itself, by the Executive Committee, Regulatory Committees, or via delegations to officers. Full details of the relevant delegations and responsibilities are set out in the Constitution.</p> <p>Decision items take the form of committee reports which set out the business case and recommendations for the relevant meeting to consider.</p> <p>Committee reports include alignment of the recommendations with Corporate Priorities, financial implications which include the upfront and ongoing costs and benefits, legal implications, risk assessments, and compliance with financial regulations and other constitutional requirements, as appropriate.</p> <p>The above approach has been reviewed by the council’s external auditors and found to be proportionate for the investment decisions being made by the council.</p>	<p><b>Actions:</b></p> <p>None identified</p>
<b>Monitoring Financial Performance</b>				
N	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p> <p><b>Detail:</b></p> <p>The Council should have timely information on its financial and operational performance.</p> <p>Performance indicators should be reviewed, alongside any overspends/ undelivered savings.</p>	33	<p><b>ASSESSMENT - GREEN</b></p> <p>Regular in-year budget monitoring reports are produced for both revenue and capital budgets as part of the council’s reporting cycle, with any material budget implications captured and mitigating actions identified, reported and approved in MTFS update reports presented to both the Executive Committee and Full Council meetings.</p> <p>The Internal Affairs Scrutiny Committee receives performance monitoring reports which link to the achievement of corporate priorities as identified in the council’s Corporate Plan.</p>	<p><b>Actions:</b></p> <p>None identified</p>



Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
O	<p>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p> <p><b>Detail:</b></p> <p>There is reference to monitoring material elements of the balance sheet that might give indications of departures from financial plans.</p> <p>Specific reference is made to commercial asset portfolios, contingencies and provisions.</p> <p>Cash flow is managed in accordance with guidance.</p>	33	<p><b>ASSESSMENT - GREEN</b></p> <p>The Leadership Board meets throughout the budget cycle and routinely monitors the level of reserves held by the council and the purposes for which they are held. The MTFS report considered by Council annually sets out details of reserves within a Reserves and Balances Framework.</p> <p>Quarterly treasury management reports to Members provide a regular update on investments held and any external debt. Cash balances are monitored regularly and if risks are identified they will be reported to MT.</p> <p>The annual budget setting report incorporates the Investment Strategy of the council and includes specific reference to and details about the council's commercial asset portfolio.</p> <p>Regular reviews of reserves are undertaken by the Finance team and reported to MT via the CFO as appropriate.</p>	<p><b>Actions:</b></p> <p>None Identified.</p>

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
<b>External Financial Reporting</b>				
P	<p>The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p><b>Detail:</b></p> <p>The CFO has statutory responsibility for:</p> <ol style="list-style-type: none"> <li>1. producing the accounts and ensuring they are published on a timely basis;</li> <li>2. maintaining financial records; and</li> <li>3. certification of the accounts and confirmation of a 'true and fair view'.</li> </ol>	35	<p><b>ASSESSMENT - GREEN</b></p> <p>The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>The Finance Team subscribe to CIPFA's advisory service and receive ongoing updates and training to ensure continuing compliance.</p> <p>The CFO is required to certify compliance within the annual Statement of Accounts prepared and the council's external auditors audit the accounts to ensure compliance.</p>	<p><b>Actions:</b></p> <p>None Identified.</p>

Ref.	Description of the Standard	Pages of the Code	CFO Assessment of Current Position at Fylde	Actions Required
Q	<p>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p> <p><b>Detail:</b></p> <p>The narrative report that accompanies the accounts provides a link to achievement of outcomes and performance.</p> <p>The leadership team understand variances from budget and how they have been managed.</p> <p>The future implications of variances should also be considered i.e. will it affect the financial strategy/ financial resilience.</p>	25	<p><b>ASSESSMENT - GREEN</b></p> <p>The financial outturn report identifies key variances from budgets with appropriate explanations, and recommends action, where appropriate, in line with the in-year budget monitoring process.</p> <p>Any key issues arising from the outturn figures are reflected in subsequent budget monitoring reports as well as in the process for approving the Corporate Plan and MTFs.</p> <p>The narrative report that accompanies the accounts provides a link to achievement of outcomes and performance.</p> <p>A reconciliation to the Comprehensive Income and Expenditure Statement is provided in the statement of accounts to link the statutory accounts to the information provided as part of budget monitoring during the year and the outturn report.</p>	<p><b>Actions:</b></p> <p>None Identified</p>

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND GOVERNANCE COMMITTEE	1 FEBRUARY 2024	8
<b>TREASURY MANAGEMENT REPORT ON PERFORMANCE FOR 3<sup>RD</sup> QUARTER 2023/24</b>			

### PUBLIC ITEM

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

### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources, Councillor Ellie Gaunt.

### PURPOSE OF THE REPORT

This report is the Treasury Management report on performance for the 3<sup>rd</sup> Quarter of 2023/24 and has been prepared in accordance with the recommendations of CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management 2021. It covers Treasury Management activities to the period ending 31<sup>st</sup> December 2023.

### RECOVERABILITY

This decision is recoverable under section 5 of part 3 of the constitution.

### RECOMMENDATIONS

The committee are recommended to:

1. Scrutinise and note the Treasury Management report on performance for the 3<sup>rd</sup> Quarter of 2023/24.

### Report

#### Background

The CIPFA (the Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members should be updated on treasury management activities regularly. This report therefore ensures that the Council is implementing best practice in accordance with the Code.

The Prudential Indicators and Treasury Management Strategy for 2023/24 were approved at the Budget Council meeting on 2<sup>nd</sup> March 2023 and changes to the indicators were approved as part of the Mid-Year Treasury Management Monitoring Report 2023/24 to Council on 18<sup>th</sup> December 2023. Performance during the third quarter of 2023/24 is reported in Appendix A.

## 1. Economic Update

### Economic Background

Downward revisions to the UK economy have meant Gross Domestic Product (GDP) fell slightly, rather than being flat, in the December Q3 results and previous quarters also weren't as strong as first estimated. The underlying resilience in the UK economy appears to be continuing to wane. Falling consumer spending suggests interest rate rises may be starting to bite further. Other indicators are pointing to a weak Q4 and with the drop in monthly GDP in October to -0.3%, this increases the likelihood of a technical recession (two consecutive quarters of negative growth), albeit a mild one.

### Economic Outlook

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, are major influences on the economic position.

### Interest Rate Forecast

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that the Bank Base Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

**Table 1: UK Interest Rates**

Quarter	Base Rate			Long Term PWLB Rates (20 years)		
	Mid Year Estimate %	Latest Forecast %	Actual %	Mid Year Estimate %	Latest Forecast %	Actual %
April – June	n/a	n/a	5.00	n/a	n/a	5.56
July – Sep	n/a	n/a	5.25	n/a	n/a	5.64
Oct - Dec	5.25	5.25	5.25	5.45	4.90	4.90
Jan - Mar	5.25	5.25		5.40	5.00	

## 2. Debt Management and Financing of Capital Expenditure

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

2.2 The Capital Financing Requirement (CFR) is a key component of an authority's capital strategy. It quantifies the amount of capital spending that has not been financed by capital receipts, capital grants or contributions from revenue income or reserves. It measures the "underlying need to borrow" for a capital purpose, although this borrowing may not necessarily take place externally. For 2023/24 the Council has a CFR of £4.1m based on past and current capital expenditure plans that have been approved as part of the council's Capital Programme. A large proportion of the CFR relates to the acquisition of vehicles which are used to deliver operational services including waste management and parks.

2.3 The Council's Capital Financing Requirement is currently being financed by "internal borrowing", a common practice whereby a local authority utilises its internal resources which are not required in the short to medium-term (comprising working capital and reserves), rather than external borrowing, to finance expenditure. Using internal borrowing continues to be the most cost-effective means of funding capital expenditure as it allows the council to lower the overall treasury risk by reducing both external debt and temporary investments, and to minimise interest costs. It is expected that internal borrowing will continue to be used for the rest of the financial year, and in the medium term, in line with advice from the Council's treasury advisers. 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 advisers.

2.4 The Public Works Loan Board (PWLB) is a UK Government facility that provides loans to public bodies, including local authorities. The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, and preventative action. 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. The Council does not intend to borrow to invest primarily for commercial return.

### **3. Investments**

#### Treasury Investment Activity

3.1 The revised CIPFA Treasury Management 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 business use.

3.2 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.

3.3 Internally managed cash flow of £31m on average has been invested in call accounts, Local Authorities, Money Market Funds and the government backed Debt Management Office during the quarter. The Council's cash flow has continued to remain at a high level.

3.4 The current rate of return on investments is 5.10% (see Appendix A Table 3). Financial market conditions were volatile during the period. Global bond yields rose and remained elevated as it became apparent that policymakers were looking to keep interest rates high for some time amid persistently higher core inflation and tight labour markets. This had a positive impact on the Council's investments as maturing investments are replaced by higher yielding ones.

3.5 Interest earned on internally managed investments to 31<sup>st</sup> December is £947k against a revised full-year budget of £1.12m.

### **4. Compliance**

The Prudential Indicators were originally approved by Council on 3rd March 2023 and revised indicators were approved by Council on 18<sup>th</sup> December 2023. The actual position at the end of Quarter 3 is shown in Appendix A.

During Quarter 3, the Council complied with all Prudential limits detailed in Appendix A.

### **5. Risk Assessment**

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

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.

### **6. Conclusion**

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 period to 31<sup>st</sup> December 2023. As indicated in this report, all treasury limits have been adhered to and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. That said, the Council has achieved an investment return which is consistent with the average of other Arlingclose clients and which has generated additional interest income to support the council's base revenue budget.

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	✓

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

SUMMARY OF PREVIOUS DECISIONS
Council approved the 2023/24 to 2026/27 Capital Strategy, which incorporated the Prudential Indicators, at its meeting on 2 <sup>nd</sup> March 2023.

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy Update Including General Fund, Capital Programme & Treasury 2023/24 – 2026/27	Council Meeting 2 <sup>nd</sup> March 2023	www.fylde.gov.uk
Medium Term Financial Strategy – Financial Forecast Update (Including Revenue, Capital & Treasury Management) 2023/24 – 2027/28	Council Meeting 18 <sup>th</sup> December 2023	www.fylde.gov.uk
Mid Year Prudential Indicators & Treasury Management Monitoring Report 2023/24	Council Meeting 18 <sup>th</sup> December 2023	www.fylde.gov.uk

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	www.fylde.gov.uk	January 2024

Attached documents:  
Appendix A – Prudential Indicators

## Prudential Indicators

Table 1 below compares the actual figure achieved for the period April to December 2023 to the Prudential Indicator agreed by Council.

**Table 1**

Prudential Indicators	Latest Indicator 2023/24	Quarter 3 Position	Note
Investments	£10.1m	£31.4m	1
Authorised limit for external debt	£8.0m	£0m	2
Operational boundary for external debt	£2.0m	£0m	3
Investments over 364 days	£4.0m	£2.0m	4
Ratio of Financing Costs to Net Revenue Stream	5.3%	5.3%	
Estimated Capital Expenditure for 2023/24	£16.5m	£19.4m	5
Capital Financing Requirement	£4.1m	£4.1m	
Investment Interest Received	£1.12m	£0.947m	

**Table 1 Notes**

1. The level of investments fluctuates on a daily basis and the figure reported is the actual position at 31st December 2023. The Prudential Indicator is the forecast level of investments expected at 31st March 2024.
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 a significant emergency, such as a failure to be able to collect council tax income and becomes the Council's statutory limit.
3. The Operational Boundary of £2.0m includes provision for short-term borrowing for unexpected cash flow movements.
4. Investments over 364 days comprises of one investment to another Local Authority of £2.0m.
5. The estimated capital expenditure has increased due to the addition of new capital schemes being approved onto the capital programme during the year to date. These include Local Authority Housing Fund - Phase 2, Empty Homes Strategy and cremator engineering repairs.

**Table 2**

The Liability Benchmark below is a new indicator that compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m to manage day to day cash flow.

The Table below shows that the Council expects to have sufficient cash resources to fund the existing capital programme by internal borrowing. There is no requirement for external borrowing in the forecast if the Council's cash flow proceeds as planned.



	31.03.24 Revised Estimate £m	31.03.24 Latest Forecast £m
CFR	4.1	4.1
Less: Usable Reserves & Working Capital	(14.2)	(14.5)
<b>Net loans requirement</b>	<b>(10.1)</b>	<b>(10.4)</b>
Plus: Liquidity allowance	10.0	10.0
<b>Liability/(Asset) benchmark</b>	<b>(0.1)</b>	<b>(0.4)</b>

**Table 3: Investment Benchmarking by Arlingclose**

