

Agenda



AUDIT AND STANDARDS COMMITTEE

Date:	Thursday, 16 June 2016 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor John Singleton JP (Chairman)</p> <p>Councillor David Donaldson (Vice-Chairman)</p> <p>Councillors Mark Bamforth, Delma Collins, Peter Collins, Roger Lloyd, Edward Nash, Graeme Neale, Roger Small.</p>

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 17 March 2016 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 24(c).	1
	STANDARDS ITEMS	
4	Issues Raised With The Monitoring Officer (INFORMATION ITEM)	3 – 4
	AUDIT DECISION ITEMS	
5	Code of Corporate Governance	5 – 35
6	Annual Governance Statement	36 – 43
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8	Risk Management Annual Report	59 – 87
9	Regulation of Investigatory Powers Act 2000: Authorisations	88 – 89

Contact: Katharine McDonnell - Telephone: (01253) 658423 – Email: democracy@fylde.gov.uk

The code of conduct for members can be found in the council's constitution at
<http://fylde.cmis.uk.com/fylde/DocumentsandInformation/PublicDocumentsandInformation.aspx>

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INFORMATION ITEM



REPORT OF		MEETING	DATE	ITEM
MONITORING OFFICER		AUDIT AND STANDARDS COMMITTEE	16 JUNE 2016	4
ISSUES RAISED WITH THE MONITORING OFFICER				

PUBLIC ITEM

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

SUMMARY

The Monitoring Officer has been appointed as Proper Officer to receive allegations of failure to comply with the Code of Conduct regarding councillors, town and parish councillors and co-opted members. The Monitoring Officer has delegated authority, after consultation with the 'Independent Person', to determine whether an allegation of members' misconduct requires investigation and arrange such an investigation.

The Monitoring Officer should seek resolution of complaints without formal investigation wherever practicable and she has the discretion to refer matters to the Audit and Standards Committee where she feels it is inappropriate for her to take a decision on a referral for investigation. She should also periodically prepare reports for the Audit and Standards Committee on the discharge of this function.

In order to keep the Audit and Standards Committee informed as to the number and general nature of matters brought to her attention; reports on the discharge of the function of Monitoring Officer are brought on a periodic basis.

It is a point of clarification that there are a number of stages in dealing with reported matters. Some matters are brought to the attention of the Monitoring Officer without merit. In instances where a breach may have been considered to arise, and in line with agreed procedures, wherever possible the Monitoring Officer should seek the resolution of complaints without the need for formal investigation.

SOURCE OF INFORMATION

The Monitoring Officer.

INFORMATION

The table below shows the nature of the allegations made in the complaints since last reported to the Audit and Standards Committee on 21 January 2016. Complainants do not need to specify a relevant part of the code where they believe a breach has occurred (and indeed some of these complaints relate to differing codes dependant on when the complaint originates). For the purpose of the table below, the Monitoring Officer has made a judgement and grouped them accordingly.

PARISH MATTERS	
Failure to treat others with respect	1
Bringing the authority into disrepute	0
Interests	1

BOROUGH MATTERS	
Failure to treat others with respect	2
Bringing the authority into disrepute	0
Interests	

The Monitoring Officer would also like to bring to the committee's attention that there is one formal complaint currently under investigation. The outcome of the investigation will be notified to the committee in due course.

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Periodic reports to the Audit and Standards Committee show all the matters which have been brought to the attention of the Monitoring Officer for review in order that members of the Audit and Standards Committee have an appreciation of all matters arising.

FURTHER INFORMATION

Contact Tracy Morrison, Monitoring Officer Tel: 01253 658521

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	16 JUNE 2016	5
CODE OF CORPORATE GOVERNANCE			

PUBLIC ITEM

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

SUMMARY

The council's present Code of Corporate Governance was adopted in 2008. Changes to national guidance and to the council's systems of managerial and political governance since then have made it appropriate to revisit and review the existing code. The report presents a revised code to the committee for consideration and adoption.

RECOMMENDATIONS

To adopt the updated Code of Corporate Governance in place of the existing code.

SUMMARY OF PREVIOUS DECISIONS

Audit Committee, 3 April 2008: To approve the local code of governance as a framework to work towards and seek an updated report at the next meeting of the committee.

Audit Committee, 17 June 2008: To approve the local code of corporate governance.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

THE CIPFA/SOLACE FRAMEWORK

1. The council's present Code of Corporate Governance was adopted in April 2008. The code was adopted in conformity with guidance contained in "Good Governance in Local Government: A Framework", issued by the Chartered Institute of Finance and Accountancy ("CIPFA") and the Society of Local Authority Chief Executives ("SOLACE").
2. The Framework urged councils to develop and maintain an up-to-date local code of governance consistent with the core principles set out in the guidance. This included making arrangements for ensuring ongoing application and effectiveness of the local code, reviewing governance arrangements against the Framework and preparing governance statements each year to report publicly on how they comply with their own codes including how effective their governance arrangements are.

THE UPDATED CODE

3. Since the council adopted its existing code, CIPFA has published revised guidance on and an addendum to the framework. During that time, the council has undergone significant changes in its managerial and political arrangements. These include the adoption of a committee system and the discontinuation of the overview and scrutiny committees.
4. These changes make it appropriate to review the council's Code of Corporate Governance. The officer Corporate Governance Group, consisting of the Director of Resources, Chief Financial Officer, Head of Governance and Chief Internal Auditor have undertaken a review of the existing code. A proposed revised code is attached. The existing code can be downloaded from [here](#).

The main changes in the revised code are to make it compatible with the committee system, simplify some of the more over-engineered procedures, particularly around partnership protocols, and generally streamline the document where possible. Members are asked to approve the changes by adopting the revised code

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit (England) Regulations 2011.
Community Safety	None relating directly to this report
Human Rights and Equalities	None relating directly to this report
Sustainability and Environmental Impact	None relating directly to this report
Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance makes clear.

LEAD AUTHOR	TEL	DATE	DOC ID
Ian Curtis	01253 658506	21 March 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Delivering Good Governance in Local Government: Framework	2007	Town Hall, St Annes
Delivering Good Governance in Local Government: Guidance Note for English Authorities	2012	Town Hall, St Annes
Delivering Good Governance in Local Government: Addendum	2012	Town Hall, St Annes
Fylde Council Code of Corporate Governance	2008	www.fylde.gov.uk/council/your-council/governance-control/

Attached documents

1. Proposed revised Code of Corporate Governance



Code of Corporate Governance

Document Record

Release: Version 2
Date: XXXXXXXX
Author: Ian Curtis
Ownership: Resources Directorate

Document History

This code replaces the previous Code of Corporate Governance.

Document Location

A copy of the policy is available on the Fylde Borough Council web site.

The original master copy is stored on the network drive belonging to the Head of Governance.

Revision History

Date of next revision: January XXXX

Revision Date	Previous version number	Previous revision date	Summary of changes

Approvals

This policy requires the following approvals:

Audit and Standards Committee (obtained XXXXXX)

Distribution

This code requires each head of service to review arrangements within his or her own service for securing proper corporate governance and sign an assurance statement. Additionally, the Leader of the Council and Chief Executive are required to sign an Annual Governance Statement, a specimen of which is within the code and whose content will need to be informed by the assurance statement of each head of service.

1. BACKGROUND

- 1.1 The Council's investment and activities are focused on achieving our corporate priorities, which are:
- Value for money: Spending public money in the most efficient way to achieve excellent services
 - Clean and green: Delivering services that customers expect of an excellent council
 - A vibrant economy
 - A great place to live: Making sure that Fylde continues to be one of the most desirable places to live
 - A great place to visit: Promoting Fylde as a great destination to visit
- 1.2 A sound system of corporate governance underpins the achievement of all of our strategic objectives and is considered by the council's auditors in their "Report to Those Charged With Governance".
- 1.4 In 2007 CIPFA and SOLACE issued "Delivering Good Governance in Local Government: Framework", which urged councils to:
- develop and maintain an up-to-date local code of governance consistent with the core principles set out in the Framework, including arrangements for ensuring its ongoing application and effectiveness;
 - review their existing governance arrangements against this Framework;
 - prepare governance statements each year to report publicly on how they comply with their own codes including how effective their governance arrangements are, and on any planned changes.
- An addendum to the Framework was published in 2012.
- 1.5 This local Code of Corporate Governance shows how Fylde Borough Council will comply with the CIPFA SOLACE Framework.

2. CORE PRINCIPLES

- 2.1 These six core principles are taken from the Good Governance Standard developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and have been adapted for local government purposes. Good governance means:
- 1 Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area

- 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles
- 3 Promoting the values of the authority and demonstrating the values of good governance through behaviour
- 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- 5 Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
- 6 Engaging with local people and other stakeholders to ensure robust local public accountability.

2.2 Each core principle has supporting principles which reflect the dimensions of a local authority's business. The following paragraphs show how Fylde Council will comply with those principles:

Core principle 1

Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

Supporting principles

- exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

To comply with these principles, we will:

- make a clear statement of our purpose and vision and use it as basis for corporate and service planning
- regularly review our vision for the borough and its impact on our governance arrangements
- meaningfully and effectively review the quality of our services and reflect this information in the Corporate Plan and medium term financial strategy in order to ensure improvement
- meaningfully and effectively measure value for money and reflect this information in performance plans and generally in reviewing our work
- make effective arrangements to deal with any failure in service delivery

- when working in partnership ensure that all partners agree a common vision of what the partnership is for. The vision should be:
 - supported by clear and measurable objectives
 - the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.

Core principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting principles

- ensuring effective leadership throughout the authority by being clear about the roles and responsibilities of each of the council's decision-making bodies, including the Audit and Standards committee.
- ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
- ensuring relationships between the authority and the public are clear so that each know what to expect of the other.

To comply with the above principles, we will:

- clearly state the formal roles and responsibilities of the council and each committee and how these should work in practice
- clearly state the roles and responsibilities of front line councillors, members generally and senior officers
- develop protocols to ensure effective communication between councillors and officers in their respective roles
- ensure that the Leader and Chief Executive share an understanding of their roles and objectives
- set out the allowances payable to members in a scheme and have an effective mechanism for reviewing the scheme including an independent panel
- develop our vision, strategic plans, priorities and targets through robust mechanisms, taking into account the aspirations of the local community and other key stakeholders and communicate them in a way that people can understand
- when working in partnership:
 - ensure the legal status of the partnership is clear
 - agree the roles and responsibilities of the partners so that there is effective leadership and accountability

- make sure that all involved know the extent to which representatives of organisations can commit those organisations
- effectively monitor service delivery
- maintain an up-to date scheme of delegated powers within the Constitution
- ensure that effective management arrangements are in place at the top of the organisation
- respect and facilitate the statutory roles of the head of paid service, the officer responsible for our financial affairs (section 151 officer) and the monitoring officer.

Core principle 3

Promoting the values of the authority and demonstrating the values of good governance through behaviour

Supporting Principles

- ensuring council members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance
- ensuring that organisational values are put into practice and are effective.

To comply with the above principles, we will:

- work to develop trust and shared values among and between councillors and staff
- try to build mutual understanding and respect between councillors of all political groups and none
- maintain formal codes of conduct defining acceptable standards of personal behaviour
- maintain an effective Audit and Standards Committee to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture.
- ensure that decisions made by members and employees of the authority are not influenced by prejudice, bias or conflicts of interest
- ensure that their procedures and operations conform with proper ethical standards, both on paper and in practice
- not participate in a partnership that is not consistent with the values of the council.

Core principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting principles

- exercising leadership by being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- making sure that an effective risk management system is in place
- recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.

To comply with the above principles, we will:

- give decision-makers the up-to date accurate and understandable material that they need to make robust evidence-based decisions and record the reasons for them
- have whistle blowing arrangements to which staff and contractors have access
- put in place effective transparent and accessible arrangements for dealing with complaints
- develop and maintain an effective Audit and Standards Committee or make other appropriate arrangements for the discharge of these functions.
- comply with the law and good practice on deciding the pay of senior staff, including publishing a pay policy statement
- make sure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications
- embed risk management into our culture, so that members and managers at all levels recognise it as part of their job.
- Understand the extent and limits of our statutory powers, including the general power of competence in the Localism Act 2011
- act within the law, including observing the key principles of administrative law – rationality, legality and natural justice - in our procedures and decision making

- when working in partnership, ensure that all partners have a shared understanding of their respective roles and responsibilities
- when working in partnership, ensure that there are robust procedures for scrutinising decisions

Core principle **5**

Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively.

Supporting principles

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.

To comply with the above principles, we will:

- develop the skills that members and officers need to effectively carry out their roles
- give the statutory officers the resources and support they need to perform effectively in their roles
- appoint suitably qualified persons to the three statutory officer posts and make sure their roles are properly understood throughout the authority
- provide induction programmes tailored to individual needs and regular opportunities for members and officers to update their knowledge
- continually develop skills to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- review the training needs of individual members and agree an action plans to meet any training or development needs
- encourage all sections of the community, contribute to and participate in our work
- consider structures for members and officers to encourage participation and development
- when working in partnership, ensure that partners individually and the partnership collectively share responsibility for appointing people

to the partnership who have the required skills and are at an appropriate level.

Core principle **6**

Engaging with local people and other stakeholders to ensure robust local public accountability

Supporting principles

- taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
- making best use of resources by taking an active and planned approach to meet responsibility to staff.

To comply with the above principles, we will:

- make clear what the council does and can do
- assess the effectiveness of relationships with partners and make any changes required
- establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively
- put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- establish a clear policy on the types of issues they will meaningfully consult or engage with the public and service users including a feedback mechanism for those consultees
- regularly publish information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users
- put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place
- develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making
- ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve

confidentiality in those specific circumstances where it is proper and appropriate to do so

- when working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.

3. REVIEW OF ARRANGEMENTS

3.1 The CIPFA SOLACE Framework requires the Council to:

- consider the extent to which it complies with the principles and requirements of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

3.2 The Corporate Governance Group has responsibility for overseeing a detailed self-assessment of compliance with the above core principles and supporting principles. This includes the listing of documentary evidence to support the results. Much of the required evidence is taken from the following key systems and processes:

- Strategic and business planning;
- Communication;
- Performance management;
- Risk management;
- Value for money;
- Probity;
- Financial strategy;
- Financial standing;
- Financial management;
- Asset management.

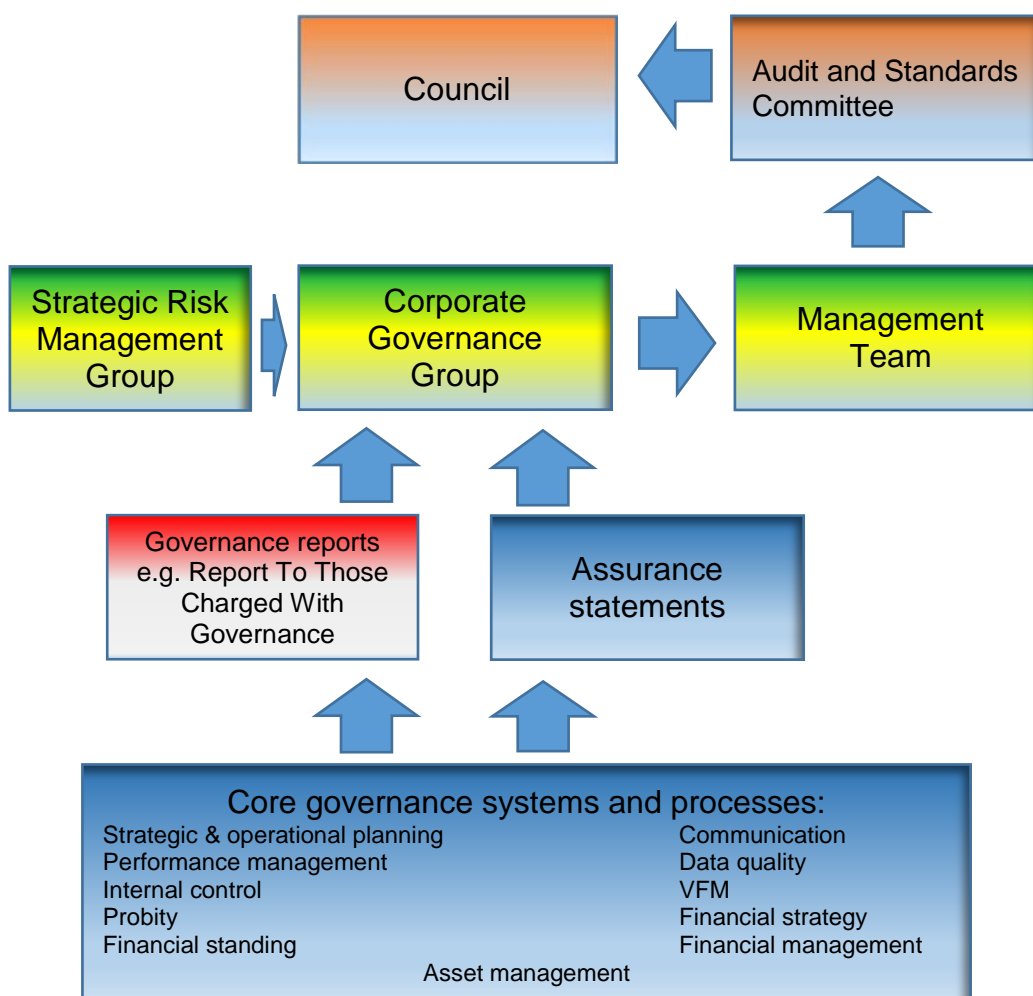
3.4 The key officers involved of the group are:

- Director of Resources (Monitoring Officer)
- Chief Financial Officer (Section 151 Officer)
- Head of Governance
- Chief Internal Auditor

3.5 The Director of Resources has corporate responsibility for governance including oversight of compliance with the CIPFA SOLACE Framework and the process leading to the publication of the Annual Governance Statement.

3.6 Any significant non-compliance issues identified in the self-assessment process are disclosed within the Annual Governance Statement and fed into the service planning process. This means that they are subjected to systematic monitoring which in turn ensures their resolution.

3.7 The Annual Governance Statement is also reported to the Management Team is submitted to Audit and Standards Committee for approval. In addition, the Audit and Standards Committee has responsibility for oversight and scrutiny of governance matters written into its terms of reference. The overall reporting system for corporate governance is shown below. This also indicates that the Corporate Governance Group acts as a conduit for any governance issues identified through external audit and inspection reports.



4. ANNUAL GOVERNANCE STATEMENT

- 4.1 The CIPFA SOLACE Framework defines proper practice for the form and content of a governance statement that subsumes the requirement to prepare and publish a Statement on Internal Control (SIC). Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires a local authority to “conduct a review at least once in a year of the effectiveness of its system of internal control and....approve an annual governance statement, prepared in accordance with proper practices in relation to internal control”.
- 4.2 The Council has therefore elected to publish an Annual Governance Statement using the CIPFA SOLACE pro forma governance statement as shown at Appendix 1, which includes the following information:
- a. an acknowledgement of responsibility internal financial control
 - b. an indication of the level of assurance that a system of internal financial control can provide
 - c. a brief description of the main features of the system of internal financial control including controls relating to group activities where the activities are significant
 - d. a brief description of the role of internal audit and the management and reporting arrangements for internal audit
 - e. Details of any other reviews informing the assessment of the effectiveness and operation of internal financial control undertaken during the year
 - f. A concise explanation of any identified significant weaknesses in the system of internal financial control, together with the actions undertaken or planned to address these
 - g. A specific statement on whether the authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government; Framework; and, where they do not, an explanation of how they deliver the same impact.
- 4.4 The annual governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:
- the authority’s policies are implemented in practice
 - high-quality services are delivered efficiently and effectively
 - the authority’s values and ethical standards are met
 - laws and regulations are complied with
 - required processes are adhered to

- performance statements and other published information are accurate and reliable
 - human, financial and other resources are managed efficiently and effectively
- 4.5 It therefore covers performance issues – good governance promotes good service but poor service performance reflects a failure of governance. Consequently, approval and ownership of the governance statement should be at a corporate level and should be confirmed by the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) signing the statement on behalf of the authority.
- 4.6 The Leader and Chief Executive therefore sign the Annual Governance Statement on behalf of Fylde Council once the review and approval process (Appendix 1) has been followed.
- 4.7 The Annual Governance Statement will be approved by the Audit and Standards Committee by the end of June each year and published with the financial statements so that the publication timetable for the financial statements drives the governance statement approval timetable.

5. ASSURANCE STATEMENTS

- 5.1 As Section 4 above indicates, those signing the Annual Governance Statement will seek assurances that the review and approval process described in Appendix 1 has been followed. This ensures that the views of the statutory officers have been taken into account, and they have in turn sought the views of auditors (internal & external) and other inspectorates as to the adequacy and effectiveness of the Council's system of governance.
- 5.2 However in reviewing and approving the Annual Governance Statement, members will also require assurances on the effectiveness of the governance framework from managers across the Council, as it is they who are charged with embedding corporate governance systems within their service areas.
- 5.3 The Council has therefore adopted a system of Assurance Statements (Appendix 3) which are compiled on an annual basis and approved by directors to coincide with the production of the Annual Governance Statement. These require service managers to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
- 5.4 The Corporate Governance Group is then charged with analysing the completed Assurance Statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the Directorate Statements will be included in the Annual Governance Statement.

APPENDIX 1

PRO-FORMA ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Fylde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.fylde.gov.uk/council/your-council/governance-control/ or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Fylde Council for the year ended 31 March 200x and up to the date of approval of the annual report and statement of accounts.

The governance framework

The annual governance statement should include a brief description of the key elements of the governance framework that the authority has in place.

Review of effectiveness

Fylde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Briefly describe how the effectiveness of the governance framework has been evaluated.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

Include an outline of the actions taken, or proposed, to deal with significant governance issues in relation to the authority achieving its vision.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council

Chief Executive

Signed

APPENDIX 2

GOVERNANCE ASSURANCE STATEMENT

Fylde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, members and senior officers are responsible for establishing a sound system of governance.

As a service manager, I have responsibility to enforce the system of governance within my service area to ensure that it supports the achievement of the service's and therefore the Council's objectives.

When discharging my responsibility for reviewing the effectiveness of the system of governance operating within the service area, I have taken into account the following:

- The adequacy and effectiveness of management review processes;
- Outcomes from risk assessments;
- Relevant self-assessments of key service areas within the directorate;
- Relevant internal audit reports
- Outcomes from reviews by other bodies including external and statutory inspectorates and the external auditors.

I am satisfied that the attached pro-forma accurately describes the operation within my directorate of the various elements of the system of governance as set out during the financial year to 31 March 201x. I am satisfied that the system of governance as so described was overall operating effectively within my service area during that time and continues to do so.

Where the pro-forma indicates that an appropriate element of governance is not present or is not fully embedded, I propose to address those matters with a view to making them fully effective.

Signed:

Date:

Service manager for:

Element of governance			
1. Strategic planning			
1.1	A service plan for 201x/1x was prepared and managed according to corporate guidance		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
1.2	The Council's project management guidance has been applied to all the service area's key projects, including capital developments		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
1.3	All partnering arrangements have been managed in accordance with the council's arrangements for partnership working		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
2. Communication			
2.1	The service area has established feedback mechanisms to ensure that the views of service users, partners and stakeholders are taken into account		

Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
2.2	The corporate team briefing process is operating effectively within the service area		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3. Performance and people management			
3.1	The service has monitored progress against its service plan on a quarterly basis		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.2	The corporate staff appraisal system has operated effectively during the year		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			

3.3	Staff personal development plans are up-to-date		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.4	Corporate absence management procedures are adhered to		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.5	The service has complied with corporate policies for staff recruitment		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.6	All employees comply with the Flexible Working Hours Policy (Flexitime scheme) where applicable		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			

3.6	All employees have been made aware of their general responsibilities under equalities legislation		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
4. Data quality			
4.1	The service has effective procedures for the calculation and collection of any service performance indicators		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
5. Internal control			
5.1	Agreed recommendations by relevant inspectorates, auditors and other review agencies have been implemented within the agreed timescales		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
5.2	All members of staff are aware of the council's contracts procedure rules and financial procedure rules		
Fully embedded	Partially operative	Not operative	Not applicable

Further information:			
6. Risk management			
6.1	An annual Directorate Operational Risk Register is compiled which complies with the requirements of the Council's Risk Management Strategy.		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6.2	Joint risk registers have been compiled for key partnerships		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6.3	There are up-to-date business continuity plans in place for the service, where appropriate		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6.4	Corporate health & safety policies and procedures are being complied with		

Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
7. Value for money			
7.1	The service achieves value for money in its use of resources		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
7.2	All procurement has complied with the councils contract procedure rules and any procurement policy		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
8. Probity			
8.1	All employees are made aware of their obligations under the Officers' Code of Conduct, and are believed to be in compliance		
Fully embedded	Partially operative	Not operative	Not applicable

Further information:			
8.2	All employees are made aware of their obligations under the Anti-Fraud and corruption policy, and are believed to be in compliance		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
9. Financial management			
9.2	The service regularly monitors its budget		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
9.2	Purchase orders have been raised for all items of expenditure where appropriate		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
9.3	All income is collected and expenditure is processed in		

	accordance with corporate systems and control arrangements		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
10. Asset Management			
10.1	Asset registers or inventories have been compiled and maintained in accordance with corporate procedures		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
11. Information management			
11.1	Computer systems and data are kept secure		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
11.2	All employees are made aware of their obligations under the council's Computer Use Policy, and are believed to be in compliance		
Fully embedded	Partially operative	Not operative	Not applicable

Further information:			
11.3	All employees have been made aware of their general responsibilities under the data protection and freedom of information legislation, and are believed to be in compliance		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
11.4	The service complies with the council's Information Asset Governance Policy		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
11.5	An Information Asset Owner and Information Asset Administrator has been identified for each information asset for which the service is responsible		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			

Notes to the governance assurance statement

The Council is required to publish an Annual Governance Statement alongside its financial statements which must be signed by the Leader and, Chief Executive on behalf of the council. This Statement must include any significant areas of weakness and action plans to address such weaknesses.

The requirements of the Council with regard to governance are set out in guidance published by CIPFA and SOLACE and the Corporate Governance Group are charged with conducting a detailed self-assessment of the extent to which the Council complies with this guidance.

In addition to the corporate self-assessment, assurance is also sought from service managers, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas.

The Council has therefore introduced assurance statements, which need to be compiled on an annual basis to coincide with the production of the Annual Governance Statement. These require service managers to review the operation of a range of governance elements within their service areas and indicate whether there are any significant non-compliance issues.

The Corporate Governance Group will analyse the completed assurance statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the assurance statements will be included in the Annual Governance Statement itself.

Elements of governance

The assurance statement sets out eleven strands of governance, each of which is sub-divided into separate elements. Each element relates to a specific governance related procedure or measure which should normally be in place within service areas. These are requirements laid down in a range of corporate policies and also form the basis of the annual review of governance by the Audit Commission.

How to use complete the assurance statements

Please complete the relevant part of the form for **every** element of governance by ticking the box below it. What goes in the “Further Information” box depends on what you have ticked.

If you have ticked against:

Fully embedded	Use the box to provide information in support of your claim to have embedded the element in your directorate. This may include a reference to further documentation provided by you with the form, or readily available to those who may validate the form.
Partially operative	Use the box to provide information in support of your claim that the element is partially operating in your directorate (see above), and to set out the steps you will take to try to

	fully embed the element within the next year. These steps should feed into your service plan.
Not operative	Use the box to set out the steps you will take to try to introduce and embed the element within your directorate during the next year. These steps should feed into your service plan
Not applicable	Use the box to say why you believe this element is not applicable within your directorate.

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF RESOURCES	AUDIT AND STANDARDS COMMITTEE	16 JUNE 2016	6
ANNUAL GOVERNANCE STATEMENT			

PUBLIC ITEM

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

SUMMARY

The report presents the Annual Governance Statement prepared under the CIPFA/SOLACE framework the local code of corporate governance for approval.

RECOMMENDATION

To approve the Annual Governance Statement for signature by the Chief Executive and Leader of the Council.

SUMMARY OF PREVIOUS DECISIONS

There have been no previous decisions regarding this report.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives.
2. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Fylde Borough Council has complied with the code and shows how the effectiveness of governance arrangements have been monitored during the year.
3. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2015, which requires authorities to prepare a statement of internal control in accordance with "proper practices". The CIPFA/SOLACE guidance identifies the production of an annual governance statement in accordance with the guidance as "proper practices".

Summary of the local code

4. According to the CIPFA/SOLACE guidance, "governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities".
5. The council's code adopts the following six core principles from the CIPFA/SOLACE guidance which underpin the council's system of governance
 - Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting the values of the authority and demonstrating the values of good governance through behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
 - Engaging with local people and other stakeholders to ensure robust local public accountability.
6. The Local Code describes the arrangements that have been or are being established within the Council to comply with the requirements. The code requires the Council to:
 - consider the extent to which it complies with the above six core principles and requirements of good governance set out in the Framework;
 - identify systems, processes and documentation that provide evidence of compliance;
 - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
 - identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

Annual Governance Statement

7. The Corporate Governance Group, comprising the Monitoring Officer, Section 151 Officer, Head of Internal Audit and Head of Governance, has conducted a detailed self-assessment of the council's governance against this checklist. A further addendum to the checklist was issued in 2012 to keep the framework current. These additional tests have also been addressed.
8. The council must publish the results of this self-assessment, including any recommended areas for improvement in the forthcoming year, as part of its Annual Governance Statement alongside the annual accounts.
9. The governance statement is attached to this report and is presented for approval by the committee. It will, if approved, be signed by the council leader and the chief executive.
10. The Corporate Governance Group will draw up an action plan for future approval by the committee to meet the issues identified in the governance statement.

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems and practices. The Annual Governance Statement is an important requirement within the Code.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2011.
Community Safety	No Implications
Human Rights and Equalities	No implications
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.

LEAD AUTHOR	TEL	DATE	DOC ID
Tracy Morrison	01253 658521	24 May 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Code of Corporate Governance	2008	Town Hall, St Annes
Directorate assurance statements	2015/16	Town Hall, St Annes

Attached documents

1. Appendix 1 – Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Fylde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. A copy of the code is on our website at www.fylde.gov.uk or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the Council has complied with the code, together with the addendum issued in 2012, and also meets the requirements of regulation 6 (b) of the Accounts and Audit Regulations 2015 in relation to the publication of this statement.

The purpose of the governance framework

The governance framework comprises systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

The governance environment

Principles

The Council has adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it. These are:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively
6. Engaging with local people and other stakeholders to ensure robust accountability

CIPFA and SOLACE reviewed the Framework during 2012 to ensure it maintained 'fit for purpose' and issued the Guidance in late December 2012 with the key message for local authorities to review and report on the effectiveness of their governance arrangements and meet the government standard.

Other developments that impact on the Framework since its launch include:

- The Government's commitment to increasing transparency
- Localism Act 2011
- Revised guidance on the role of the Chief Finance Officer
- Revised guidance on the role of Head of Internal Audit
- Changes to Local Authority governance structures

The Council's corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the Authority in its pursuit of its vision and objectives. The following describes the key elements:

Constitution

The Council's constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the Council.

The constitution and its appendices clearly explain how the different elements of the Council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance maintained by the Department for Communities and Local Government.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. The constitution is also presented annually to the Council for re-adoption and updating to ensure that it remains relevant to its purposes.

Political structure

The Council's governance system changed in May 2015, following a referendum held in May 2014, which resulted in a vote in favour of the Council moving from an executive form of governance to a committee system.

The Council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

The authority operates a committee system with decision-making delegated to the council's committees. There is a mechanism in place for decisions to be referred to the Council. The council's committees comprise Finance and Democracy, Tourism and Leisure, Environment, Health and Housing, Operational Management, Development Management, Licensing, Public Protection and the combined Audit and Standards Committees.

Meetings of the committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point and seek to have it addressed during the course of the meeting. Members of the Council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions.

The Council has no scrutiny committee/committees in place as it has decided to opt out of this process.

The Council's Audit and Standards Committee deals with all aspects of advice and guidance for Members on matters of conduct, ethics, propriety and declarations of interest. It also assesses, oversees and determines complaints made against Members under the Code of Conduct. The Council has access to a number of 'independent persons' who assist in upholding high standards.

The Audit and Standards Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations.

The monitoring and performance of the Council's assurance and governance framework is also led by the Council's Audit and Standards Committee. The committee has the responsibility to ensure that the monitoring and probity of the Council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the Council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the

European Convention on Human Rights. Such committees always have access to legal and other professional advice.

Officer structure

The Authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the Authority.

The Chief Executive is designated as the Head of the Authority's Paid Service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the Authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or one of the Council's Committees as appropriate if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. Blackpool Council's Monitoring Officer acts as Deputy Monitoring Officer for the Council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these Council's Monitoring Officers.

The Council has designated the Chief Financial Officer as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2015.

Both statutory officers referred to above have unfettered access to information, to the Chief Executive and to councillors so they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer. A protocol establishes the nature and role of the Monitoring Officer.

Two directors report to the Chief Executive and collectively form the authority's management team together with the Chief Financial Officer and the Council's Solicitor, who act as specialist advisors. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The Constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business and manages a business unit.

The Management Team collectively and individually are responsible for securing the economical, effective and efficient use of resources as required by the duty of best value.

Powers delegated to each member of Management Team are documented in the constitution.

The Council maintains an independent Internal Audit Service, which operates within the principles contained in the standards set out in the United Kingdom Public Sector Internal Audit Standards 2012.

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit and Standards Committee and Management Team and to compile, maintain and monitor the Code.

Operational

The Corporate Plan establishes Fylde Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system.

The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually to ensure that they meet the needs

of customers and that performance targets for quality improvements are set and monitored. The Medium Term Financial Strategy includes targets for efficiency savings where appropriate, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed, the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported on a regular basis to the Management Team, to the Council's Committees, and to full Council. Closer monitoring and appropriate action is taken where there is an indication of a likely variance against budget.

The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website.

The Council had adopted and implemented a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and regularly reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks.

A corporate Risk Management Group (RMG) has been established with an effective monitoring and reporting mechanism. A member of Management Team is the nominated chair of the RMG.

The Authority's Risk Management Policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers are required to incorporate a register of risks relevant to their service area within each Directorate's service plan.

Internal Audit provides in its annual report an independent and objective opinion on the effectiveness and operation of the internal control framework during the year.

An annual assessment of the Council's systems of internal audit is carried out each year using the Public Sector Internal Audit Standards and the checklist provided in the Local Government Application Note published by CIPFA.

The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control.

The Authority has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially.

The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

Review of effectiveness

The Authority supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the Authority's own performance management framework, provides the evidence needed to ensure a culture of continuous performance improvement.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to produce an Annual Report and provide opinion on the effectiveness of the authority's Audit and Standards Committee and evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance..

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Chief Executive, Section 151 Officer, Monitoring Officer, Head of Governance and the Head of Internal Audit, has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it.

The review of effectiveness is informed by the work of the Directors within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group also receives assurance statements on an annual basis covering each of the Council's service areas. These assurance statements show the extent of compliance within each Directorate's service areas are concerned with key corporate procedures designed to embed good governance and internal control. In addition, the group has taken account of external assurance sources including the external auditor's Annual Audit Letter and 'ISA 260 report to those charged with governance'.

Internal Audit has carried out an annual programme of reviews as approved by the Audit and Standards Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the Authority's Internal Audit service. Any significant failure to achieve agreed actions is reported to members of the Audit and Standards Committee, who can require an explanation from the Director concerned.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit now carries out an annual review of the risk management framework in accordance with the terms of the Risk Management Policy.

We have taken into account the implications of the result of the review of the effectiveness of the governance framework and system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is set out below.

Governance Issues

As a result of the assessment of the effectiveness of governance within the Council, the Corporate Governance Group has identified that a sound system of governance exists within the authority.

The Group noted that risk management is in a period of transition following the absence and retirement of the responsible officer. Arrangements will be re-established following the recruitment of a new officer on accordance with the Council's Risk Management Strategy. In particular, a review of the requirement for joint partnership registers is required.

It was also noted that the Council is reviewing the way in which it publicises details of the contracts register and tenders, in order to be transparent, open and accountable. Procurement information data will be added to the online contracts register as it becomes available to meet the requirements of the Transparency Code.

It was also felt that the authority would benefit from a relaunch of the corporate project management methodology.

Finally the Group noted that the assurance statements identified that there was a need to refresh the equality and diversity training as this was last undertaken a couple of years earlier.

Statement

On the basis of the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the above matters to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

Councillor S Fazackerley
Leader of the Council

Allan Oldfield
Chief Executive

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	16 JUNE 2016	7
INTERNAL AUDIT ANNUAL REPORT 2015-16			

PUBLIC ITEM

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

SUMMARY

The Public Sector Internal Audit Standards (The Standards) require the Head of Internal Audit to provide an annual report to the Audit Committee. The Standards also specify that the report must contain:

- an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment), together with any qualifications to the opinion;
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

The report provides an opinion on the effectiveness of the Council's system of internal control in support of the Annual Governance Statement. It also summarises the work undertaken by internal audit from April 2015 to March 2016 and performance information for the same period.

RECOMMENDATIONS

1. To approve the annual report of the Head of Internal Audit
2. To confirm the report provides suitable assurance concerning the effectiveness of risk management, control and governance processes in terms of the exercise of the Council's functions and the achievement of its aims and objectives

SUMMARY OF PREVIOUS DECISIONS

The internal audit interim report for 2015/16 was approved by the Audit Committee at its meeting on 21 January 2016.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1 Introduction

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance upon in its assessment of the internal control system.

1.2 Definition of Internal Audit

The definition of internal audit, as described in the UK Public Sector Internal Audit Standards (PSIAS), is set out below:

- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.3 The Independence of Internal Audit

1.3.1 Independence is the freedom from conditions that threaten the ability of internal audit to carry out internal audit responsibilities in an unbiased manner.

1.3.2 To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Head of Internal Audit has direct and unrestricted access to senior management and the Audit & Standards Committee.

1.3.3 Organisational independence is effectively achieved by the Head of Internal Audit reporting functionally to the Audit & Standards Committee. Examples of such functional reporting involve the committee in:

- Approving the internal audit charter,
- Approving the risk based internal audit plan,
- Receiving communications from the Head of Internal Audit on internal audit's performance relative to its plan and other matters,
- Making appropriate enquiries of management and Head of Internal Audit to determine whether there are inappropriate arrangements or resource limitations

1.4 Purposes of the Report

1.4.1 The Internal Audit Team is responsible to the Director of Resources for carrying out a continuous examination of the accounting, financial and other operations of the Council in

accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015. The latter states that “A relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.”

1.4.2 The PSIAS require that the Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The annual report must incorporate:

- the opinion (an objective assessment of the framework of governance, risk management and control)
- a summary of the work that supports the opinion
- a statement on conformance with the PSIAS
- the results of the quality assurance and improvement programme

1.4.3 The report also summarises the activities of internal audit for the financial year 2015-16 to provide managers and members with the opportunity to review the service provided to the Council.

1.5 Statement of Conformance with Public Sector Internal Audit Standards

1.5.1 The Internal Audit service works to a new Charter approved by the Audit Committee in March 2015 that fully reflects the requirements of the PSIAS. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. The Internal Audit team is required to adhere to the code of ethics, standards and guidelines of relevant professional institutes and the relevant professional auditing standards.

1.5.2 Internal Audit has adopted, and complied with the principles contained in the PSIAS, and has fulfilled the requirements of the Accounts and Audit Regulations 2015 and associated regulations in respect of the provision of an internal audit service.

1.6 Quality Assurance and Improvement Programme

1.6.1 All internal audit teams are required to develop a Quality Assurance and Improvement Programme (QAIP) that includes both internal and external assessments. Internal assessments include both ongoing monitoring and periodic self-assessment. External assessments must incorporate independent validation.

1.6.2 An internal assessment was carried out in September 2015 by the Head of Internal Audit using the recommended checklist contained within CIPFA’s Local Government Application Note, which accompanies the PSIAS, and the results were presented to the Audit and Standards Committee. A small number of non-conformance areas were identified that prevented the internal audit service being fully compliant with the PSIAS and the report sets out the current position.

1.6.3 In January 2015 the Audit Committee approved the approach whereby periodic external assessments of Internal Audit will take the form of a self-assessment subsequently validated by suitably qualified individuals or teams from members of the Lancashire District Councils Audit Group on a reciprocal basis across a 5 year cycle. These reviews commence in 2016/17.

2 The Statement of Assurance

2.1 Context

2.1.1 The Council’s internal auditors are required to provide the appropriate forum with assurance on the system of internal control. The Constitution has designated the Audit & Standards Committee with responsibility for considering the Head of Internal Audit’s annual report and opinion.

2.1.2 In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Audit & Standards Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2.1.3 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.

2.2 Internal Audit Opinion

2.2.1 We are satisfied that sufficient internal audit work for the year ended 31 March 2016 has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, internal control and governance processes.

2.2.2 In our opinion, reliance can generally be placed on the Council's control environment, particularly in the case of fundamental financial systems. However, there are a number of emerging issues to address, some from audits and follow up reviews not yet finalised. Based on the work we have completed in the year, we believe that there is some risk that management's objectives may not be fully achieved in some areas.

2.2.3 The evidence to support the opinion is contained within this report.

2.3 Scope of the Internal Audit Opinion

2.3.1 In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2016 (see Table Two for details of the opinions given during the year);
- The results of follow-up action taken in respect of audits completed;
- Whether or not any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risks;
- The results of external audit work during the year and any concerns expressed by the External Auditor;
- The results of any other external inspection or assessment;
- The effectiveness of the Council's risk management arrangements;
- The effectiveness of the Council's governance arrangements, including internal audit

2.4 Basis of the Opinion

2.4.1 In reaching this opinion the following factors were taken into particular consideration:

External Audit Work during 2015/16

2.4.2 The main part of the external auditor's work relates to the Council's financial accounts. The external auditor's Report to Those Charged with Governance for 2014/15 which was reported to the meeting of the Audit and Standards Committee on 24 September 2015, concluded that there were no audit matters of governance interest arising from the audit of the financial statements. The report concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and delivered an unqualified audit opinion on the Authority's financial statements.

2.4.3 The Annual Audit Letter, presented to the 26 November 2015 meeting, detailed the external auditor's view on performance and financial management. An unqualified value for money conclusion was issued meaning the Council was judged to have proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness. An unqualified opinion was also issued on the financial statements meaning they gave a true and fair view of the Council's financial position. The review of the Council's Annual Governance Statement concluded that it was consistent with the auditors' understanding. There were no high priority issues raised as a result of the audit work.

2.4.4 The Certification of Grants and Returns Report, reported to the 21 January 2016 committee, summarised the outcomes of the external auditor's certification work. An unqualified certificate was issued for the grant claim work.

Other External Inspection

2.4.5 There were no other external inspections during 2015-16 to take into account.

Risk Management

2.4.6 The Council's risk management framework is established by the Risk Management Strategy. It provides information on the approach, responsibilities, processes and procedures and sets the context in terms of how risks will be identified, profiled, managed and reviewed. The Strategic Risk Management Group is fundamental to the process and meets to ensure risk management remains high on the corporate agenda. There is also regular reporting to the responsible committee. The Audit & Standards Committee is designated as the elected member committee with responsibility for risk management.

2.4.7 The latest audit review of the risk management process has recently been completed resulting in an action plan for the consideration of management. The most important concern is the need to re-establish corporate risk management arrangements on a permanent and effective basis, which is currently in the process of being addressed. The overall outcome of the audit recommendations suggests that moderate reliance can reasonably be placed on the effectiveness of the Council's risk management arrangements at this time.

Governance

2.4.8 The Head of Internal Audit is a member of the Corporate Governance Group, which is charged with the compilation of the annual governance statement and improvement plan. As part of standard internal audit work, the corporate governance framework was also reviewed against the CIPFA/Solace Good Governance Framework and the addendum to the framework and revised guidance note issued in 2012. The matters for improvement, development or information included in the 2016 Annual Governance Statement were:

- The re-establishment of risk management arrangements in accordance with the Risk Management Strategy
- Defining the reciprocal agreement with Blackpool Council in relation to the provision of the Deputy Monitoring Officer role
- Enhancements to the contract register in accordance with the requirements of the Transparency Code
- A commitment to refresh equality and diversity training across the authority

Internal Audit

2.4.9 The Accounts and Audit Regulations 2015 state that each local authority "must, undertake an effective internal audit".

2.4.10 The Public Sector Internal Audit Standards set the benchmark of effectiveness and since 2013 have been the mandatory standards for all principal local authorities subject to the Accounts and Audit Regulations 2015. The annual review of the effectiveness of internal audit against the PSIAS checklist has indicated compliance with the principles within the Standards but a few areas of partial non-conformance. In some cases it was not possible to address the issues but one improvement was included in an action plan and the report sets out the current position.

Internal Control

2.4.11 The Accounts and Audit Regulations 2015 require local authorities to conduct an annual review of the effectiveness of its system of internal control. This section of the report provides an

opportunity for the Committee to consider the work of Internal Audit and whether the outcomes provide evidence of a satisfactory level of internal control within the organisation.

2.4.12 During the financial year 2015-6 eighteen reports were issued. All have been accepted by management and in all appropriate cases action plans are now in place. The agreed reports and action plans are available to view via the Internal Audit Work page on the Intranet.

2.4.13 We categorise recommendations arising from audit work as high, medium or low priority. High indicates a significant control weakness that may lead to material loss, exposure to fraud or failure to meet regulatory requirements. Medium suggests a less important vulnerability not fundamental to system integrity. Low priorities relate to good practice improvements or enhancements to procedures that merit management attention.

2.4.14 We also measure the overall level of assurance based on the adequacy and effectiveness of internal control in a system on a five-point scale. Table one sets out the assurance levels and definitions as follows:

Table One: Levels of Assurance

Level	Definition
5 Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
4 Substantial Assurance	While there is basically a sound system of control, there are some minor weaknesses, which put some of the system objectives at risk
3 Moderate Assurance	While there is on the whole a sound system of control, there are some more significant weaknesses that may put some of the system objectives at risk
2 Limited Assurance	There are significant/serious weaknesses in key areas in the systems of control that put the system objectives at risk
1 No Assurance	The control framework is generally weak leaving the system open to significant error or abuse

2.4.15 Table Two shows the category of recommendations identified for each audit completed, together with the level of assurance for the system reviewed.

Table Two: Reports, Risk & Assurance

Audit Area	High Risks	Medium Risks	Low Risks	Assurance Level
Fuel Cards ¹	-	-	7	Full
Corporate Governance	-	2	2	Full
Attendance Management	-	7	5	Moderate
Financial Controls Assurance Testing				
Business Rates	-	-	-	Full
Council Tax	-	-	-	Full
Housing Benefits	-	-	-	Full
Income Collection - Central System	-	1	-	Full
Income Collection - Remote Sites				
Bereavement Services	-	-	1	Full

Customer Services	-	-	2	Full
Fairhaven Lake	3	-	-	Limited
Fleet Services	-	2	1	Moderate
Creditors	-	-	2	Full
Treasury Management	-	-	3	Full
Bereavement Services	-	3	3	Moderate
Complaints	-	7	3	Moderate
Payroll ²	-	11	8	Moderate
Expenses	-	1	2	Substantial
Main Accounting	-	-	2	Full
Total	3	34	41	

¹ Reviews from 2014/15 finalised in 2015/16

² Joint audit with Blackpool Council

2.4.16 Table Three shows both the average and main system assurance scores for those systems reviewed by Internal Audit over the last five years and the average for the same period:

Table Three: Assurance Ratings

Audit Area	2011/12	2012/13	2013/14	2014/15	2015/16	5 Year Average
All Reviews Average	3.7	3.8	3.7	4.0	4.0	3.8
Main Financial Systems:	4.2	4.4	4.5	4.5	4.4	4.4
<i>Business Rates</i>	*	~	4.7	~	~	4.7
<i>Cash Collection</i>	3.8	*	4.7	*	4.7	4.4
<i>Council Tax</i>	~	4.5	4.7	4.4	~	4.5
<i>Creditors</i>	*	4.4	*	°	4.8	4.6
<i>Housing Benefits</i>	*	4.4	*	~	~	4.4
<i>Main Accounting</i>	4.3	*	4.6	*	4.8	4.6
<i>Payroll</i>	*	*	3.6	*	3.1	3.4
<i>Sundry Debtors</i>	*	4.3	*	4.6	*	4.5
<i>Treasury Management</i>	4.6	*	4.7	*	4.8	4.7

* Not undertaken

~ Reviewed via FCAT

° Review ongoing

2.4.17 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 4.0. Main financial systems had a better average score of 4.4. The 'All Reviews' figure remains the same as last year equalling the highest score achieved. The figure for 'Main Financial Systems' shows a marginal reduction compared to last year but equals the average score over the five year period.

2.4.18 The 'Main Financial Systems' score equates to full assurance, while the 'All Reviews Average' remains the equivalent of substantial assurance. Taken together they indicate that overall there is a sound framework of control in place but some weaknesses may put certain management objectives at risk.

2.4.19 There were three important internal control weaknesses brought to the attention of management during 2015/16, and three brought forward from previous year. All the actions have been addressed with the exception of one in relation to testing the business continuity plan. An exercise to complete this action was scheduled for December but unfortunately the Risk and Emergency Planning Manager, who was to lead the exercise, was unwell and has now retired. The event has been rescheduled for next month.

2.4.20 Table Four sets out the issues, the responsible Director and the current position or date for resolution.

Table Four: High Priority Risks Identified

Risk	Director	Resolution Date
Previous Years' Risks		
1. Develop an effective and current Corporate Business Continuity Plan arising from the BIA and reflecting existing risks and structures	Resources	Completed
2. Hold a copy of the Corporate Business Continuity Plan off site in a safe accessible place not dependent on a functioning ICT system	Resources	Completed
3. Conduct an annual exercise to test the Council's planned response to business disruption	Resources	June 2016 ¹
2015/16 Risks		
4. Staff at Fairhaven Lake who may deal with income will be made aware of the Banking & Cash Handling Procedure 2015 and required to sign the appropriate declaration	Development	Completed
5. Site specific procedures for secure operation of tills and safe custody of cash will be developed for Fairhaven Lake and responsible staff will be trained to follow them	Development	Completed
6. Standard managerial checks consistent with good practice in handling income and banking will be re-instated and consistently applied	Development	Completed

¹ Agreed Revised Date

Follow Up

2.4.21 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Eleven follow-up reviews were completed during the year. Table Five shows the total number of agreed recommendations that were implemented by managers.

Table Five: Agreed Recommendations Implemented

Audit Area	R e c o m m e n d a t i o n s		
	Total Agreed	Number Implemented	% Implemented
Previous Years' Reports			
Data Protection (Resources) ¹	18	18	100%
Homelessness ¹	13	13	100%
Mayoralty ¹	12	12	100%
Heritage Assets ¹	10	10	100%
Council Tax	3	3	100%

Corporate Governance	12	11	92%
Ethical Governance	15	15	100%
2015-16 Reports			
Creditors	2	2	100%
Income Collection – Remote Sites			
Bereavement Services	1	1	100%
Customer Services	2	2	100%
Fairhaven Lake	3	3	100%
Total	91	90	98.9%

¹ Follow Up from 2013/14 reviews revisited in 2015/16

2.4.22 The overall implementation rate for all reports followed up in 2015/16 is 98.9% compared to last year's figure of 94.8%. This year's outcome is above the target of 90%. However, there are a number of follow up reviews that have been delayed as a result of changes to management structures and responsibilities.

2.4.23 In addition to the overall rate, the percentage of high and medium priority recommendations implemented is also measured. Table Six shows the total number of agreed high and medium recommendations that were implemented by managers. Any follow up reviews where no high or medium recommendations were made have been omitted from the table.

Table Six: High & Medium Recommendations Implemented

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Previous Years' Reports					
Data Protection (Resources)	-	-	10	-	100%
Homelessness	-	-	12	-	100%
Mayoralty	1	-	6	-	100%
Heritage Assets	-	-	8	-	100%
Corporate Governance	-	-	7	-	100%
Ethical Governance	-	-	6	-	100%
2015-16 Reports					
Income Collection – Remote Sites					
Fairhaven Lake	3	-	-	-	100%
Total	4	-	49	-	100%

2.4.24 The classification of recommendations as 'high', 'medium' or 'low' priority indicates where resources might best be applied. The percentage of high and medium priority recommendations implemented in 2015/16 was 100% compared to last year's 92.4%. This result is above the target of 95%.

2.4.25 Table Seven shows both the overall and 'high/medium' priority implementation rates for those reviews followed up by Internal Audit over the last five years and the average for the same period:

Table Seven: Annual Implementation Rates

Category	2011/12	2012/13	2013/14	2014/15	2015/16	Average
Overall Implementation %	84.4	92.1	90.1	94.8	98.9	92.1
High/Medium Implementation %	84.3	91.7	86.1	92.4	100	90.9

2.4.26 The rates of implementation by managers have improved from last year's figures. For 2015/16 the annual overall rate of implementation was the highest achieved in the five-year period, while the 100% implementation of high and medium priority recommendations also ranked at the same level. Both were above the five-year average score.

3 Other Internal Audit Work

3.1 Special Investigations and Counter Fraud Work

Investigations

3.1.1 During 2015/16 no new investigations into allegations of fraud and corruption were commenced. However, one allegation was brought to the attention of internal audit but separately investigated.

3.1.2 Table Eight summarises the results of the various special investigations during 2015/16 compared with the outturn for previous years.

Table Eight: Results of Fraud Investigations

Outcome	2011-12	2012-13	2013-14	2014-15	2015-16
Disciplinary action	1	-	-	1	-
Management action	-	-	-	2	1
Third party restitution	-	1	-	-	-
No evidence to support allegation	1	2	-	1	-
Inconclusive evidence	-	-	1	1	-
Investigation terminated	-	-	1	-	-
Investigation ongoing	-	-	-	-	-
Total	2	3	2	5	1

3.1.3 The Council has adopted a zero tolerance commitment to fraud and corruption and the amount of investigative work required is not predictable. However, this year its impact on the achievement of the audit plan has not been significant.

Whistleblowing

3.1.4 There were no instances of employee whistleblowing during 2015/16.

National Fraud Initiative

3.1.5 The Head of Internal Audit acts as key contact for the National Fraud Initiative data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and licensing information for a data matching exercise.

3.1.6 The 2014/2015 biennial exercise revealed overpayments totalling of £35,000 with ongoing savings in future years. The Council also participates in an annual exercise involving the comparison of datasets from council tax to the electoral register, which in last year resulted in savings of £12,000. The live data extraction from the Council's systems in 2015/16 generated a significant number of matches for investigation and work in relation to this annual element is continuing.

Corporate Fraud Service

3.1.7 The Head of Internal Audit is responsible for overseeing the delivery of the shared corporate fraud service provided by Preston City Council. Until 31 May 2015 this related to the investigation of housing benefit and council tax reduction scheme fraud. After this date responsibility for the investigation of housing benefit fraud transferred to the Department for Work & Pensions.

3.1.8 In 2015/16 overpayments of housing benefit totalling £69800 have been identified resulting in 5 prosecutions and other sanctions. The value of non-housing benefit overpayments identified since 1 June is £25,600 with a further 5 sanctions achieved.

3.1.9 Overpayments are likely to be considerably less than in previous years because the amount of money involved in non-benefit fraud is generally lower. However, the corporate fraud service will be scrutinising areas that have never been investigated previously and the cost of the service to Fylde is considerably reduced to reflect these changed circumstances. In 2015/16 the cost of the service was zero as a result of a set-up grant from the government.

Counter Fraud Work

3.1.10 In addition to the above, internal audit has undertaken the following counter fraud work, which is not an exhaustive list:

- review of officer's expenses claims focusing on car mileage submissions
- review of the use of fuel cards for making purchases of vehicle fuel
- preparation and submission data and statistics to the National Fraud Survey 2015 about a wide range of fraud and corruption issues, which seeks to assess the incidence of fraud and the effectiveness of responses to it
- performance of a 'fitness for purpose' check and comprehensive refresh of the Council's Anti-fraud & Corruption, Whistleblowing, Money Laundering and Sanction & Prosecution policies

3.2 Projects, Consultancy and Advice

3.2.1 This section summarises the range of services, beyond internal audit's assurance role. Such work may be requested by senior managers, rather than forming part of the risk-based audit function. Commonly, tasks will involve problem-solving issues as an aid to management for the enhancement of their service. The nature and scope of the work may include participation in projects, facilitation, process design, training, and advisory services, but this list is not exhaustive.

3.2.2 During the year internal audit has undertaken project work, provided advice or acted in a consultancy capacity in the following areas, which is not an exhaustive list:

- Corporate Governance - as part of the governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement and the monitoring of the Corporate Governance Improvement Plan.
- Strategic Risk Management - the Head of Internal Audit jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management workshop

along with the Performance and Improvement Manager in the absence of the Risk & Emergency Planning Officer.

- Insurance - during the extended absence of the Risk & Emergency Planning Officer the Head of Internal Audit took over responsibility for the day to day running of the insurance service with help of the Performance and Improvement Manager and subsequently managed the delivery of the service.

4 Performance of Internal Audit

4.1 Internal Audit Plan

4.1.1 A risk assessed annual audit plan was prepared for 2015-16 based on the resources available. The plan was agreed by management and received approval from the Audit Committee. The total number of days in the plan was 566, not including time for things such as holidays, sickness, training and non-audit duties.

4.1.2 However, during 2015/16 various factors impacted on the resources available to achieve the annual plan. In the third quarter a full time member of the audit team resigned and an extended recruitment period occurred during which the Council's Risk and Emergency Planning Officer was taken ill unexpectedly. Subsequently the Head of Internal Audit has assisted in the delivery and provided the management for the insurance service. It was estimated that a total adjustment of at least 75 days would be required to take account of the reduced resources available.

4.1.3 A detailed report to the Audit and Standards Committee in January 2016 set out the position and appropriate adjustments to the plan were acknowledged. It was anticipated that the appointment of an experienced part time member of staff on a temporary basis early in 2016 would assist with the delivery of both insurance and audit duties. However, the contribution to audit has been negligible with insurance work using up 95% of the time available.

4.1.4 The revised plan prioritised the audits of the remaining fundamental financial systems, follow up reviews of audits already undertaken, significant corporate matters and the conclusion those audits already commenced. The results are set out in Table Nine.

Table Nine: Internal audit plan

Audit Activity	Plan days	Actual days	% of total
Main Financial systems	154	171	35.8
Risk Based reviews	96	67	14.0
Corporate Governance	35	29	6.1
Computer audit	25	16	3.3
Anti-fraud audit	22	15	3.1
Follow Up work	19	24	5.0
Audit Contingency	35	6	1.3
Reactive fraud	15	2	0.4
Communication & Consultancy	38	33	6.9
Management & Administration	127	115	24.1
Total	566	478	100%

4.1.5 The analysis of outturn days shows additional days were needed to complete the main financial reviews and the follow up work, which were transferred from the contingency budget. However, some slippage of work into 2016/17 did occur in relation to the risk based reviews. For all

other categories a reasonably similar amount of time was spent when compared with the original plan.

4.1.6 The changes to the audit plan inevitably resulted in a reduced level of audit coverage overall but the compromise plan represented the best use of time available in the prevailing circumstances. The percentage of the revised 2015/16 audit plan completed at 31 March was 89.2%, just below the 90% target for the year.

4.2 Client Satisfaction

4.2.1 All audit reports issued include a client feedback questionnaire for the auditee to give their views on the different aspects of the audit. The overall satisfaction rate was 90.7% just above the 90% target. Table Ten sets out the questions and the responses received.

Table Ten: Summary of Client Feedback Questionnaires

Question	Average Score	Excellent %	Good %	Satis %	Fair %	Poor %
Audit review covered key control risks	88	75	25	-	-	-
Review was carried out in a timely and efficient manner	90	100	-	-	-	-
Auditors were polite, positive and professional	93	100	-	-	-	-
Involvement of auditee in the process was appropriate	93	100	-	-	-	-
Well structured and clear audit reporting	93	100	-	-	-	-
Findings and recommendations were accurate and useful	90	100	-	-	-	-
Review provided assurance or resulted in beneficial change	90	100	-	-	-	-
Average	91	96	4	-	-	-

4.3 Performance Indicators

4.3.1 In 2009 an exercise was carried out to canvass the views of stakeholders about developing a suite of performance indicators for internal audit. Subsequently the former Audit Committee adopted the seven indicators that had received the highest usefulness rating from stakeholders and established targets for achievement. Table Eleven sets out the targets for 2015/16, together with the actuals for the two most recent years.

Table Eleven: Performance Indicators for Internal Audit

Performance Indicator	Target	Actuals 2014/15	Actuals 2015/16
IA1 % of audit plan completed	90%	98.1% ¹	89.2% ¹
IA2 % satisfaction rating indicated by post-audit surveys	90%	88.6%	91.0%
IA3 % of audit recommendations agreed with management	95%	100%	100%
IA4 % of agreed actions implemented by management	90%	94.8%	98.9%
IA5 % of 'High Priority' actions implemented by management	100%	50.0%	100%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	92.4%	100%
IA7 % of recommendations implemented at initial follow up	75%	73.9%	57.1%

¹ Revised Audit Plan

4.3.2 The first two performance indicators reflect specifically on the work and service of the internal audit team. The remaining indicators relate to the effectiveness of audit work as a result of management's action or inaction.

4.4 Quality Assurance Improvement Programme

4.4.1 Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audit operations

4.4.2 The Head of Internal Audit is ultimately responsible for the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodic, while external assessments must be undertaken at least once every five years, arrangements for which were agreed by the Audit Committee.

4.4.3 Ongoing internal assessments are conducted through:

- Supervision of engagements
- Documented review of work papers during engagements by the Head of Internal Audit/Senior Auditor
- Audit policies and procedures used for each engagement including the Procedure Manual to ensure compliance with applicable planning, fieldwork and reporting standards
- Feedback from customer surveys on individual engagements
- Analysis of key performance indicators established to improve Internal Audits effectiveness and efficiency
- All draft and final reports and recommendations are reviewed and approved by the Head of Internal Audit

4.4.4 Certain information that contributes to the ongoing assessment are included in this report, such as feedback from customer surveys and analysis of key performance indicators.

4.4.5 Periodic internal assessments are designed to evaluate conformance with Internal Audit's Charter, the Public Sector Internal Audit Standards, Definition of Internal Auditing, the Code of Ethics. The Head of Internal Audit carried out such a review and presented a report to the committee at the September meeting that included an action plan for improvement.

4.4.6 Table Twelve sets out the issues and the current position or date for resolution:

Table Twelve: QAIP Improvement Action Plan

Action	Resolution Date	Status
2015/16 Improvement Actions		
1. Investigate potential use of Assurance Mapping to identify all sources of assurance and the extent to which they can be relied upon	Mar 2016	Completed

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2015 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.</p> <p>There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2015)</p>
Legal	Internal Audit work contributes towards the production of the Annual Governance Statement published each year by the Council.
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Interim Internal Audit report arises from that work and is an important element of the assurance process for the effectiveness of the Council's systems of internal control.

LEAD AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	16 June 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Audit Plan 2015/16	March 2015	S:\Internal Audit\Internal Audit Annual Plan 2015-16.docx
Quality Assurance Improvement Programme	September 2015	S:\Internal Audit\IA Improvement Plan FINAL.doc
Internal Audit Interim Report	January 2016	S:\Internal Audit\IA Interim Report - Information Note.dotx

INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
OFFICE OF THE CHIEF EXECUTIVE	AUDIT AND STANDARDS COMMITTEE	16 JUNE 2016	8
RISK MANAGEMENT ANNUAL REPORT			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

This report summarises the year-end report on the 2015/16 Strategic Risk Register Action Plans, and the work undertaken by the Council's Performance & Improvement Manager in producing the Strategic Risk Register for 2016/17 and the annual review of the Strategic Risk Management Strategy.

SOURCE OF INFORMATION

1. It is recommended that the year-end report of the progress on the 2015/2016 Risk Action Plans be considered and appropriate comments made.
2. It is recommended that the Strategic Risk Register for 2016/2017 is approved.
3. It is recommended that the updated Strategic Risk Management Strategy is approved.

LINK TO INFORMATION

[Risk Management Strategy 2016](#)

[Strategic Risk Register 2016/17](#)

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

As part of the Council's Risk Management Strategy, strategic risks are identified and reviewed on an annual basis with the involvement of Members and Officers to review the identification of the risks. Taking this into account this year's risk identification exercise included; the Chairman of the then Audit Committee, along with the Chief Executive, Directors of Development and Resources and the Section 151 Officer.

FURTHER INFORMATION

Contact Alex Scrivens, Performance & Improvement Manager.

Strategic Risk Register 2015/16

1. In the 2015/2016 Strategic Risk Register there were 10 individual actions identified for monitoring throughout 2015/16. All 10 actions were completed during 2015/16, which represents a completion rate of 100%.

Strategic Risk Register 2016/2017

2. The strategic risk register for 2015/2016 is attached (Appendix 2). The strategic risk areas and monitoring body for each risk are shown in Table 2 below.

Table 1) Identified Strategic Risks 2016/17:

Risk	Risks mitigation method	Monitoring Body
Local Plan - risk that if the Local Plan is not submitted to the Secretary of State by early 2017, that any new allocation of New Homes Bonus due to the Council in that year will be withheld.	Action Plan	Development Management Committee
LCC Cost Sharing - risk that changes to the LCC cost sharing agreement on waste will result in a significant negative impact on resources making it difficult to deliver the Council's other priorities.	Progress reported to Operational Management and reported in terms of financial implications through the MTFS	Operational Management & Finance Committee
Financial Challenges - medium term risk that the Council is unable to deliver key projects and services due to limited and reducing resources.	Managed via MTFS	Finance and Democracy Committee
Cyber Attacks - risk that the Council's infrastructure is disabled by cyber-attack such that services cannot be delivered effectively	Risk Action Plan	SRMG & Reports to Audit and Standards Committee

3. In previous years an individual risk action plan was developed for each strategic risk area identified in the annual Risk Identification process. Such action plans were stand alone and were monitored in full by the Strategic Risk Management Group (SRMG) with reporting of non-completion of risk actions being made to the Audit and Standards Committee. To some extent this resulted in the monitoring of some risk areas (i.e. Local Plan) being carried out by the Audit and Standards Committee and, in the case of the Local Plan, by the Development Management Committee. This resulted in a duplication of effort and a reduction in efficiency with officers

reporting to two or more separate bodies. In order to avoid this duplication a slightly different method of monitoring and reporting was adopted last year.

4. After discussion at the Management Team Risk Workshop and the SRMG it is proposed that primary monitoring of the risks identified is undertaken by the most appropriate forum. You will note from Table 1 above, this year there are four Strategic Risk Areas, and for one of these a risk action plan has been developed and is presented to you today for approval. All but one of the other identified risk areas are already being monitored either by a committee or by a designated management appointed body to ensure that work plans are completed to plan. In these instances the SRMG will also monitor the progress of these plans and report any non-completion to the Audit and Standards Committee.
5. A progress report on the completion of the LCC Cost Sharing Risk Action Plan was due to be brought to the Audit and Standards Committee in January 2016. There was also to be an update on any non-completion issues in respect of the other Strategic Risk Areas highlighted by the SRMG. Currently the LCC Cost Sharing Risk Action Plan is up to date. The officers involved are maintaining full awareness of the financial and operational implications to the Council of this issue, and ensure every opportunity is explored to manage and mitigate the impact. An internal review of the service to identify potential savings and to consider collection options is currently ongoing, including the possibility of introducing collection service charges.
6. Monitoring of the Action Plans and oversight of strategic risks generally is undertaken by the Strategic Risk Management Group. This group is chaired by the Director of Resources who has responsibility for Risk Management. The group is attended by the Chief Executive, Directors, the Chief Financial Officer, Head of Internal Audit, Head of Governance, along with representatives of the Council's insurers (Zurich Municipal) and Health & Safety advisors (Blackpool Council), together with the Council's Risk & Emergency Planning Officer. Risk Management now sits under the Office of the Chief Executive due to recent staff restructure, which took effect from May 2016.
7. In terms of the plans being monitored by committees or management appointed groups there is no underperformance to report with regard to such risks. The SRMG will continue to monitor progress.



**Risk
Management
Strategy 2016**

FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, refreshed in June 2015. The aim of the Strategy is to improve strategic and operational risk management throughout the Council. Effective risk management allows the Council to:

- have increased confidence in achieving its corporate priorities
- mitigate threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that it gets the right balance between rewards and risks
- 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 priorities 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



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Information Box

Title	Risk Management Strategy version 3.8 Revised May 2016
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 Improvement Manager Office of the Chief Executive Tel. No: 01253 658543
Last revised	May 2016

1. Introduction

This document forms Fylde Council's Risk Management Strategy. It sets out:

- What is meant by risk management
- Why we need a risk management strategy
- The philosophy of our risk management
- An overview of the methodology to be adopted and its links with existing processes
- A summary of the implementation timetable
- An outline of the associated roles and responsibilities of members, chief officers and other employees.
- A summary of future monitoring and reporting lines for risk management

Aim:

The aim of this strategy is to improve the Council's ability to deliver its core priorities by managing its threats, enhancing its opportunities and creating an environment that adds value to ongoing operational activities.

Council's Priorities:

The Council has adopted a Corporate Plan that sets out the Council's Vision and identifies five key corporate priorities required to achieve it. As the council faces the changes ahead, our [Corporate Plan 2016-20](#) reiterates a continuing commitment to ensuring the effective actions are in place to deliver our five priorities.

- VALUE FOR MONEY - Spending your money in the most efficient way to achieve excellent services
- CLEAN & GREEN - Delivering the services that customers expect of an excellent council
- A VIBRANT ECONOMY - Working with all partners
- A GREAT PLACE TO LIVE - To make sure Fylde continues to be one of the most desirable places to live
- A GREAT PLACE TO VISIT - Promoting Fylde as a great destination to visit

Risk Strategy Priorities:

- fully integrate strategic and operational risk management into the culture of the Council and into the Council's strategic planning processes
- ensure that the framework for identifying, analysing, prioritising, action planning, monitoring and monitoring and reviewing risks across the Council is implemented and understood by all relevant staff
- communicate the Council's approach to risk management to its stakeholders and partners
- promote the co-ordination of risk management activities across the Council
- ensure that the Executive, Corporate Management Team (CMT) and external regulators can obtain the necessary assurance that the Council is mitigating the risks of not achieving its priorities, and thus complying with good corporate governance practice.
- ensure consistency throughout the Council in the management of risk

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

A policy statement is attached at [Appendix A](#).

2. What is Risk Management?

Risk Management can be defined as:

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving priorities once those decisions are made. The latter is achieved through controlling, transferring and living with risks” ZMMS/*SOLACE, Chance or choice? July 2000*.

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

Fylde Council delivers a diversity of services that provides a vast potential for personal injury and loss or damage. Risk management will allow us to reduce that potential and in respect of strategic risk it will allow us to effectively manage the barriers to achievement of the Council’s priorities.

3. Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its priorities against the [Corporate Plan 2016-20](#) and enhance the value of services provided.

Strategic risk management is also an integral requirement of demonstrating continuous improvement.

Risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance that was to be adopted by all Authorities in 2006. The CIPFA/SOLACE framework requires Fylde Council to ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs. As part of this the Council makes a public assurance statement annually, on the Council’s risk management strategy, process and framework. The Framework requires the Council to establish an effective risk management system that identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. The assurance statement is disclosed in the Annual Governance Statement, which is signed by the Leader of the Council and the Chief Executive.

4. What is our philosophy?

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.

Risk management is something that everyone within Fylde Council undertakes almost daily to varying degrees. Risk Management cuts across all areas of management and it is, therefore, difficult to draw clear boundaries around risk management. However, at Fylde Council risk management falls within the following main areas:

- ✓ Health & Safety
- ✓ Emergency Planning
- ✓ Business Continuity Planning
- ✓ Projects
- ✓ Business Risks i.e. risks identified in the Corporate & Operational Risk Registers
- ✓ Partnerships/Shared Services

The risk management process contained in this strategy applies primarily to the Strategic Business and Project risk areas, however, the principle of the strategy can be applied to operational risk areas.

The main areas of risk identified above are managed by the following Directorates:

Risk Area	Service Area with Lead Responsibility
Health & Safety Risks	Chief Executive, Corporate Services(Client) Blackpool Council Health & Safety (Contractor)
Emergency Planning	Chief Executive, Corporate Services
Business Continuity	Chief Executive, Corporate Services
Project Risks	Chief Executive, Corporate Services
Business Risks	Chief Executive, Corporate Services
Partnership Risks	Chief Executive, Corporate Services

Health & Safety and Emergency Planning

The Council has long established and effective processes for the management of risks falling within the Health & Safety and Emergency Planning areas of operation. The arrangements in place for these processes are not superseded by this strategy.

Business Continuity Management

Although there are clear inter-dependences between Business Continuity Planning and Strategic Risk Management, the Council's Business Continuity Planning arrangements are dealt with separately to this Strategy (Business Continuity Plan).

Project Risks

Projects risks can be managed using one, or a combination of the following risk management processes:

- Risk management techniques associated with the project management methodology used

➤ The Council's Strategic Risk Management Process

The size and scope of the project is likely to dictate the process best suited to managing the risks. However, all projects must undertake full risk assessments.

Business Risks

The risk management process outlined within this strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (delivery of the Council's core priorities and corporate plans) and operational activities (delivery of actions identified in directorate service plans)

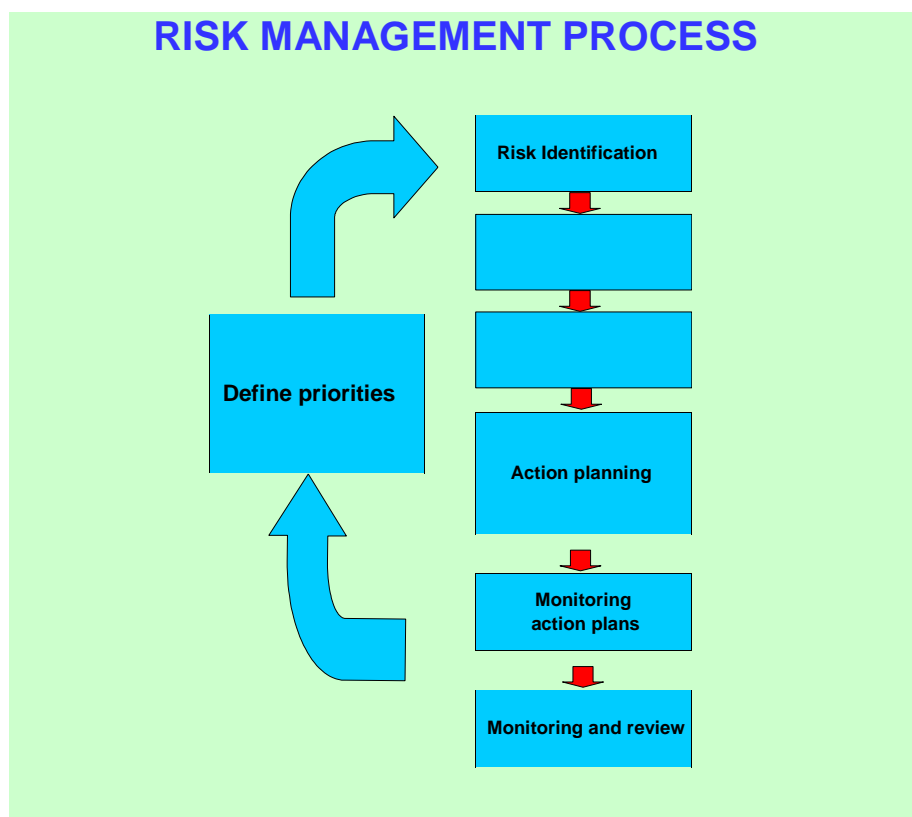
Partnership Risks

Although there are clear inter-dependencies between Partnership Risks and Strategic Risk Management, the

Council's partnership working arrangements are dealt with separately to this Strategy. (Partnership Protocol)

5. What is the Risk Management Process?

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



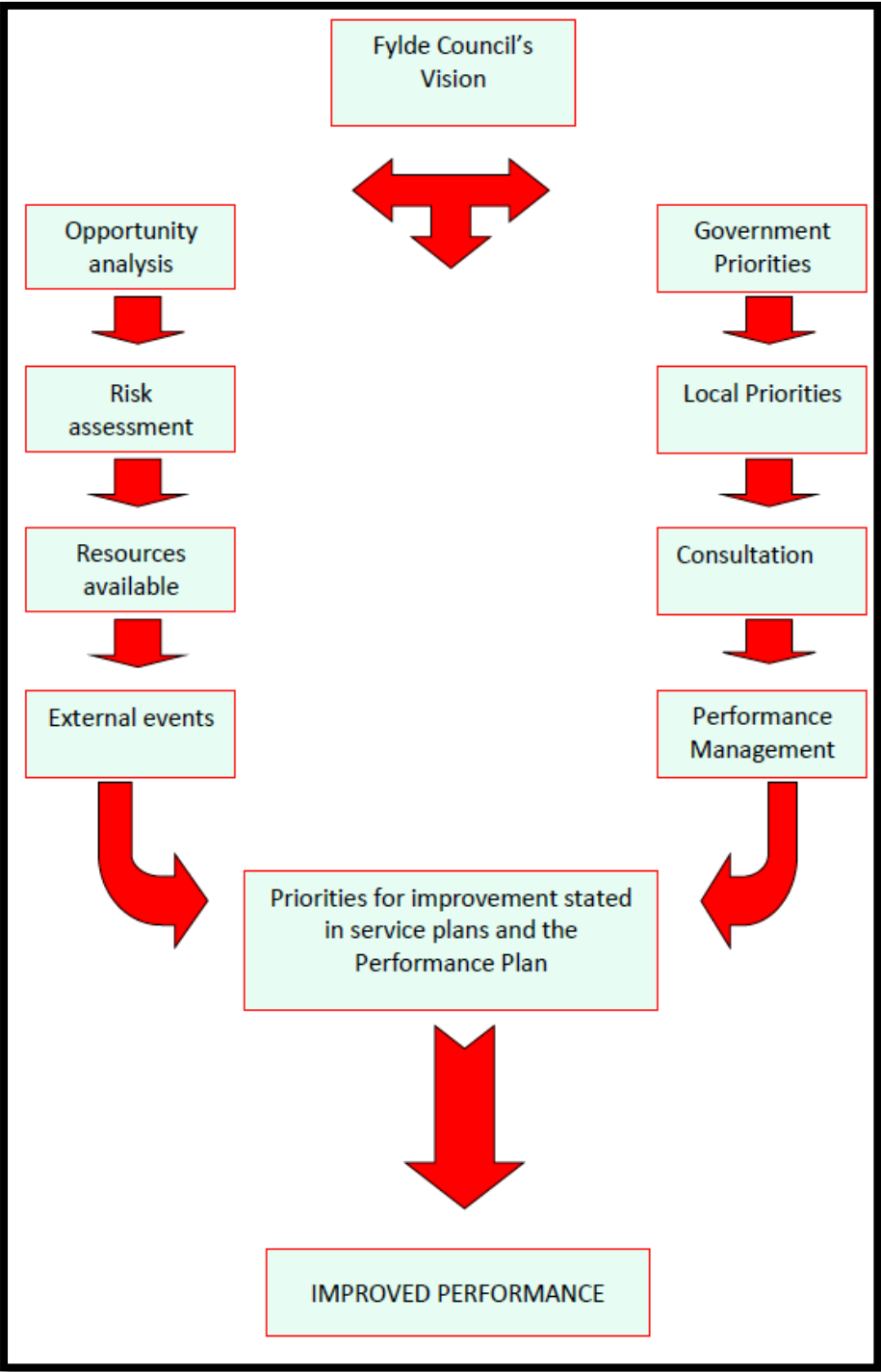
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service plans and the Corporate Plan. Relevant PI's are identified and then monitored through the developing performance management framework ensuring that the focus remains on achieving Fylde Council's priorities.

Step	Element	Activity Description
1	Risk Identification	Individual interviews are requested in Dec / Jan each year with the Chief Executive, Directors, and Chairman / Vice Chairman of the Audit Committee to identify strategic risks facing the Council over the next 12 months. Specific consideration is given to risks and opportunities associated with the Council's core objectives and priorities.
2	Risk Analysis	The risks identified in step 1 are analysed and clustered around common areas. These are then written into scenarios by the Risk & Emergency Planning Officer and Chief Internal Auditor that show the vulnerability, trigger and consequences of each risk type.
3	Risk Priority	The risk scenarios are presented to a Corporate Management Team workshop to decide if the risk presented is in fact valid, if it is it is prioritised on a 5x4 matrix measuring Likelihood against Impact. Once all the risks are plotted on the matrix the risk appetite line is added. All risks above the line are then actioned planned.
4	Action Planning	Each risk identified above the line is action planned. This process shows what action is already taken to mitigate the risk and identifies what further actions should be taken to reduce the risk to a more acceptable level by reducing the likelihood of the risk occurring or the impact if it does. Each risk is assigned to a Champion who oversees the implementation of the action plan

Step	Element	Activity Description
5	Monitoring	The strategic risk management group monitors progress on the implementation of the agreed action plans throughout the year to ensure that all actions are completed. If necessary it will recommend to the CMT that new risk are added to the Risk Register should the need arise during the year.
6	Monitoring & Review	The whole process is monitored and reviewed on an annual basis. Once the outcomes of the current years activities are known the cycle starts over with interviews to Identify the risks for the next years risks register
7	Operational Risk	The managing of operational risks is conducted using the same framework but within each directorate. Operational Risks Registers are set up in each directorate and they are monitored by the directorate Risk Champion. Reports on the progress of the individual directorate risk registers will be made to the operational risk management group twice yearly by the directorate risk champions

6. How will it feed into our existing processes?

The information resulting from the process acts as one of eight key pieces of information that will be incorporated into the development of the service plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.



Effective risk management may also be integrated into the existing VFM guidance. It can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision-making processes.

Links to Corporate Governance

Risk Management is part of the Council's overall Corporate Governance arrangements:

Governance is the system by which the Council directs and controls its functions and relates to the Community. In other words, the way in which it manages its business, determines its strategy and priorities and how it goes about achieving its priorities. The fundamental principles are openness, integrity and accountability. The risk management strategy forms part of Fylde Council's corporate governance arrangements. The other main elements are Internal Control, Performance Management, Health & Safety and Internal Audit.

Internal Controls are those elements of an organisation (including systems, resources, processes, culture, structure and tasks) that, taken together support people in the achievement of the Council's priorities. Internal financial control systems form part of the wider system of internal controls. The Council's internal controls forms part of its risk management process and have a key role to play in the management of significant risks to the fulfilment of its business priorities. For example all reports to non-regulatory committees where a decision is being recommended must have a risk assessment completed with the significant findings of the risk assessment included in the report. The report should also identify the risk register in which the risks and required risk mitigation actions will be entered and monitored. If it is considered that a risk assessment is not appropriate this information must be reported.

Performance Management and risk management are closely aligned. The Council's Performance Management process closely mirrors the Risk Management process.

The **Health & Safety** policy of the Council is a key component of the Council's structure of controls contributing to the management and effective control of risks affecting staff, contractors, volunteers, service users and the general public.

Internal Audit is a major component of the Council's system of controls protecting its financial and other physical assets. The risk management process in turn serves the Internal Audit function by enabling it to identify areas of high risk, and so target its resources more effectively.

7. How will this be implemented?

A detailed implementation plan has been developed to support the strategy. The following is a summary of the overall timetable:

Action	Timescale	Responsibility of
Corporate assessment and prioritisation of risks	Feb/Mar each year	Corporate Management Team
Develop strategy, report to CMT and recommend for approval by members. Report % achievement of previous years Risk Actions	End of June each year	Risk & Emergency Planning Officer
Raise awareness of risk management as an effective management tool	ongoing	Risk & Emergency Planning Officer
Directorate service plans - assessment and prioritisation of risks	Feb/Mar each year	Directorate Risk Teams
Report to Audit Committee on progress on the current years Risk Actions contained in the Risk Register	Jan each year	Risk & Emergency Planning Officer

8. What are the different roles and responsibilities?

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

Role	Responsibilities
The Audit and Standards Committee	<ul style="list-style-type: none">➤ Overseeing effective risk management across the Council➤ Agreeing Fylde Council's Risk Management Strategy➤ Ensuring that risk management is delivered by the Director of Resources on behalf of the Council➤ Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored➤ Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually➤ Seeking assurances that action is being taken on risk related issues identified➤ Facilitating a risk management culture across the Council
Chief Executive & Corporate Management Team	<ul style="list-style-type: none">➤ Leading risk management across the Council, with the Director Resources as the designated CMT lead on Risk➤ Advising members on effective risk management and ensuring that they receive regular monitoring reports➤ Recommending a Risk Management Strategy to Members of the Audit and Standards Committee➤ Identifying and managing the business risks and opportunities facing the Council➤ Co-ordinating risk management across the Council➤ Being responsible for ensuring that the Council fully complies with all corporate governance requirements, including the Annual Governance Statement

Role	Responsibilities
Directors	<p>Directors will demonstrate their commitment to risk management through: -</p> <ul style="list-style-type: none"> ➤ Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management ➤ Ensuring partnerships initiated by their directorates are constituted in accordance with the Partnerships Protocol ➤ Appoint a risk champion who is authorised to progress effective risk management throughout their directorate that adheres to corporate guidelines ➤ Identifying, analysing, prioritising, and action planning risks arising from their business area. Identified risks to be recorder in a Directorate Operational Risk Register. DORR's to be kept up to date and reported on as required. ➤ Balancing an acceptable level of operational risk against programme and project priorities and business opportunity ➤ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measurers ➤ Attending the Strategic Risk Management Group
Risk Champions	<ul style="list-style-type: none"> ➤ Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate ➤ Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met ➤ Representing their directorate at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Director ➤ Provide the ORMG with twice yearly reports on the status of their directorate's Risk Register and progress made on implementing the DORR risk action plan. ➤ Providing support on risk management to Directors and middle managers within their directorate

- Promoting the benefits of risk management across the directorate
- Maintaining, on behalf of Director an up to date DORR that complies with corporate guidelines.

Role	Responsibilities
Heads of Service / Service Managers	<ul style="list-style-type: none"> ➤ Communicating to staff the corporate approach to risk management ➤ Identifying the risk management training needed by staff, and reporting this to the directorate Risk Champion ➤ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required
Staff	<ul style="list-style-type: none"> ➤ Understanding their accountability for individual risks ➤ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls
Internal Audit	<ul style="list-style-type: none"> ➤ Auditing the key elements of the Council's Risk Management Process ➤ Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan ➤ Ensuring that internal controls are robust and operating correctly

Risk Management Groups

The purpose of the risk management groups is to promote good practice on risk management across the Authority and act as a “Champion” on risk management issues. The Groups will also:

- Promote the “positive” effects that good risk management can have when embedded into all Council policies and procedures
- Ensure that risk management is seen as a tool to “make things happen” in a safe and beneficial way, not a process used to “stop things from progressing”.
- Investigate issues referred to it by the Corporate Management Team and report back in a timely manner
- Standardise procedures and practices to reduce property and liability losses and claims
- Advise Corporate Management Team on risk management issues referred to it by individual directorates.
- Receive reports from the Risk & Emergency Planning Officer and Directorate Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.

Role	Responsibilities
Risk Management Groups	<ul style="list-style-type: none"> ➤ Adopt SMART reporting techniques for all issues sent to the group from whatever source ➤ Introduce more sophisticated systems to analyse and forecast losses ➤ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder ➤ Use deductibles or self-insurance where financially beneficial to provide a vested interest in loss control. Dependence on insurance will be reduced and cover sought on a 'value for money' basis, seeking cover where financially prudent ➤ Wherever possible, improve risk management information and investigative procedures within the authority <p>The terms of reference for the risk management group is attached at appendix B</p>
Risk & Emergency Planning Officer	<ul style="list-style-type: none"> ➤ Provide advice and guidance on insurable risks ➤ Provide strategic direction on the Council's approach to risk management ➤ Ensure effective liaison between risk areas (see table on page 6) ➤ Co-ordinating the Council's approach to risk management ➤ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements ➤ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans

9. How will the monitoring & reporting of risk management happen?

A framework of monitoring and reporting will be established that will allow: -

- An annual review of the risk management strategy by CMT approved by the Audit and Standards Committee
- Monitoring of the effective management of risks through developing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.
- An annual review of the overall process and a report to CMT and members on the effectiveness of risk management and internal control by Internal Audit.

An annual report to the Audit and Standards Committee outlining the effectiveness of the strategic and operational risk management actions undertaken as part of the Corporate and individual Directorate Risk Registers. The ultimate measure of effective risk management is that the Council:

- has resilience to deliver its services and core priorities
- is protected from the possibility of being impacted by an unforeseen risk
- is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
- is able to take cost-effective measures to reduce or eliminate the effects of negative risk
- is able to identify, and take maximum advantage of, the occurrence of positive risk.

10. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function.

Risk Management Policy Statement

The diversity of services offered by the Council presents a vast potential for personal injury, loss and damage. It is essential for the Council to develop Risk Management programmes which ensure that, in discharging its responsibilities to the citizens, the likelihood of personal injury and loss or damage to physical assets is minimised by means of anticipating and controlling our exposure to risk.

Accordingly it is the responsibility of every member of staff to identify, analyse, eliminate and control exposure to risk and to minimise such losses as they may occur. The purpose of the risk management policy is to achieve the following:

1. To support operating units in their efforts to appraise the risks to which they are exposed.
2. To provide advice through networks of specialists.
3. To provide guidance on best practice in loss control.
4. To motivate managers and others to manage risk effectively.
5. To provide incentives in order to increase the level of risk management.
6. To ensure that adequate risk financing is available.

The Council's Strategic and Operational Risk Management Groups are fundamental to this process. Elected Members, the Chief Executive, Directors and staff of all directorates must be fully supportive of the initiative.

It is the responsibility of every directorate to implement a sound Risk Management strategy. Management at directorate and cost centre level has the responsibility and accountability for managing the risks to which their area is exposed.

This philosophy has the support of the Council which recognises that any reduction in injury, illness or damage benefits the whole community.

Strategic & Operational Risk Management Groups – Terms of Reference

Meetings

The risk management groups will meet on a regular basis (minimum of 4 meetings per year); however the Chairman of either group may call extra meetings as necessary.

Chairmanship

The Chairmen of the Groups will normally appointed by the CMT.

Secretary

The Secretary of the Groups will normally be the Risk & Emergency Planning Officer.

Membership of the Groups

Every directorate will be represented on the each Group. Each directorate will nominate a senior member of the directorate to represent the directorate on the group. Directorate membership should, where possible, be rotated over a cycle of a number of 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

- The purpose of the risk management group is to promote good practice on risk management across the Authority and act as a “Champion” on risk management issues.
- The group should promote the “positive” effects that good risk management can have when embedded into all Council policies and procedures.
- The risk management group should investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
- The group should also advise Corporate Management Team on risk management issues referred to it by directorates.
- The group should adopt SMART reporting techniques for all issues sent to the group from whatever source.
- The Strategic Risk Management Group manages corporate risks which affect the Council’s ability to fulfil its Corporate Priorities and is concerned with major Business risk.
- The Strategic Risk Management Group will also monitor the Council’s Emergency Planning, Business Continuity and Disaster Recovery Plans, as well as Information Security/Risk and Data Protection
- The Operational Risk Management Group will manage Operational risks which affect the Council’s ability to run its day to day services.

Minutes and Reports

Minutes of meetings should be kept and the Chairman of each Group should present these to the Corporate Management Team at the next available meeting. All reports issued by the groups should also be reported to CMT. Once minutes and reports are approved by the CMT they should be posted onto the risk management page of the Intranet.

Operational Staff H&S Committee – Terms of Reference

Meetings

The operational staff H&S committee will meet on a regular basis (minimum of 4 meetings per year); however the Chairman of the committee may call extra meetings as necessary.

Chairmanship

The Chairmen of the committee will normally appointed by the CEO.

Secretary

The Secretary of the committee will normally be the Risk & Emergency Planning Officer.

Membership of the Committee

The committee will be made up as follows: Supervisors from all the operational units of the Council, union representatives (Unison/GMB/Unite), a representative of H&S (Blackpool), plus 2 members of staff each the larger works areas such as Waste & Grounds Maintenance and 1 each from smaller work areas including Fleet, Leisure and the Cemetery. Staff members should, where possible, be rotated over a cycle of a number of meetings so that operational H&S is promoted to as many members of staff 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

- The purpose of the Operational Staff H&S Committee is to promote good H&S practice across the Authority and act as a “Champion” on H&S issues.
- The committee should promote the “positive” effects that good H&S can have when embedded into all operational activities.
- H&S procedures should be seen as an aid to ensure we work in a safe and beneficial way, not a way of making work more difficult.
- The Operational Staff H&S Committee should investigate issues referred to it by the Operational Risk Management Group, along with accidents and near misses involving operational staff, motor accidents and any operational breaches of health and safety investigated under the council disciplinary policy so that refresher/additional training needs can be identified. The committee’s findings on all these issues will be reported to the ORMG in a timely manner.
- The committee should also advise the Operational Risk Management Group on H&S issues referred to it by other parties.
- The Operational Risk Management Group will manage Operational risks which affect the Council’s ability to run its day to day services.
- The Operational Staff H&S Committee will manage operational H&S issues which affect the operational staff in their day to day work carrying out the Council’s operational services.

Minutes and Reports

Minutes of meetings should be kept and the Chairman of the Committee should present these to the Operational Risk Management Group at the next available meeting. Once minutes and reports are approved by the ORMG they should be posted onto the risk management page of the Intranet.



Strategic Risk Register 2016/2017

Identified Strategic Risks

Risk	Risks mitigation method	Monitoring Body
Local Plan - risk that if the Local Plan is not submitted to the Secretary of State by early 2017, that any new allocation of New Homes Bonus due to the Council in that year will be withheld.	Action Plan	Development Committee
LCC Cost Sharing- risk that changes to the LCC cost sharing agreement on waste will result in a significant negative impact on resources making it difficult to deliver the Council's other priorities.	Progress reported to Operational Management and reported in terms of financial implications through the MTFS	Operational Management & Finance Committee
Financial Challenges - medium term risk that the Council is unable to deliver key projects and services due to limited and reducing resources.	Managed via MTFS	Finance Committee
Cyber Attacks - risk that the Council's infrastructure is disabled by cyber-attack such that services cannot be delivered effectively.	Risk Action Plan	SRMG & Reports to Audit Committee

Risk Reports to the SRMG and Audit and Standards Committee will include updates on the Cyber Attack Prevention Action Plan.

Reporting on the other strategic risks will be made to the SRMG quarterly and to the Audit and Standards committee on an exception basis only.

2016/2017 Risk Register

Cyber Attack Prevention Action Plan No: 1

Champion – Director of Resources

Issue Description	Cyber Attack Prevention
Council Objective	Value for money

EXISTING CONTROLS IN PLACE
<ul style="list-style-type: none"> ✓ Two corporate firewalls in place, with redundancy should one be compromised or fail ✓ Separate firewall for PSN (Public Services Network secure) originated traffic ✓ Proxy server and separate web filters based on user profiles ✓ Desktop Anti-virus (McAfee) ✓ Wave safe end control (end point security for restricting/ blocking USB devices) ✓ Intrusion Protection (IPS) ✓ Application control (Deep pack inspection including SSL traffic) ✓ Appsure Backup solution ✓ Virus awareness communications ✓ Web logs (monitoring) ✓ CERT UK, networking, attending conferences ✓ Patch policy, every Tuesday from Microsoft/ application vendors for security updates ✓ Test environment for enable new patches or updates ✓ Data Leak Prevention (DLP) ✓ Anti-virus/ anti malware at the firewall level ✓ Fusemail spam and email filtering ✓ Fortimail internally hosted spam and email filtering for PSN (Public Services Network secure) originated email exchange ✓ Network address translation (NAT) across all firewalls to 'hide' our network IP ranges behind outward facing Public ones ✓ Network connection redundancy through a separate link to the outside from the Cem and Crem ✓ SSID filtering and secure authentication through Cisco wireless controller ✓ Demilitarized zone for outward facing web servers ✓ Reverse proxy for outward facing web services, that are required to be hosted internally

APPENDIX 2

Required action / control	Responsible for action	Critical success factors	Due Dates
Staff engagement and awareness programme of potential cyber threats	A.Scrivens	Review existing ICT Computer Security Policy with assistance from Blackpool Policy services.	April 2016
	A.Scrivens / R.Mckelvie	Review current ICT Security iPool module content, contact Blackpool to see if there has been any updates to their content since original version done (2011). Liaise with ICT to add wording for Fylde and make any relevant or necessary changes etc. Re-vamp and modernise content.	April 2016
	A.Scrivens	Use recent PowerPoint slides and quiz published by ICT to show what virus look like, add onto new iPool module as a quiz.	May 2016
	A.Scrivens	Relaunch ICT Security iPool Module, setup as next compulsory course for all staff to complete.	June 2016
	R.Mckelvie	IT network policy enforcement logon software	June 2016
	R.Mckelvie	ICT to attend team briefs, undertake as an action once for all team briefs	August 2016
	R.Mckelvie	Assess the impacts from team briefs via surveymonkey to analysis findings	September 2016
	R.Mckelvie	Mystery Shopping exercise with website checks by staff.	March 2017
Next Generation Threat Control	R.Mckelvie	Establish quotes for product	March 2016
	R.Mckelvie	Purchase and deploy	April 2016
	R.Mckelvie	Publicise this via the Vine & Directorate communications	April 2016

APPENDIX 2

Baseline network/ check for changes to files/ configuration.	M.Don	Re-deploy existing software to detect file / network changes	April 2016
	R.Mckelvie	Prioritise backups, the way which areas are selected first based on the Business Continuity Plan.	May 2016
Block certain high risk sites.	R.Mckelvie	Web filtering software in place, review and implement	April 2016
Review ICT Strategy / Plan	R.Mckelvie	Make sure virus controls are highlighted as high risks, ensure capacity within department is set at the appropriate level to reach maintain set standards	May 2016
CERT liaison, to implement best practice advice	R.Mckelvie	Implement any actions through network groups, lean on partners for advice where possible.	March 2017
Server consolidation excise	R.Mckelvie	Continue to reduce the amount of servers to eliminate virus, storage, backup constraints	March 2017

INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	16 JUNE 2016	9
REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to June 2016, there were no authorised operations.

SOURCE OF INFORMATION

Director of Resources

LINK TO INFORMATION

<https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/872/Committee/23/Default.aspx>

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

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

FURTHER INFORMATION

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

INFORMATION NOTE

Regulation of Investigatory Powers Act 2000: Authorisations

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

Quarter	Directed surveillance	CHIS	Total	Purpose
8 February 2016 – June 2016 ¹	0	0	0	

FURTHER INFORMATION AVAILABLE FROM

Ian Curtis, Head of Governance, ianc@fylde.gov.uk , 01253 658506.

¹ Correct to the date the report was written. Officers will verbally update members if the figures have changed by the date of the meeting.