



# Agenda

## Audit and Standards Committee

|                    |   |
|--------------------|---|
| Date:              | Thursday, 11 November 2021 at 6:30 pm   |
| Venue:             | Town Hall, St Annes, FY8 1LW  |
| Committee members: | <p>Councillor Ellie Gaunt (Chairman)<br/>Councillor Ed Nash (Vice-Chairman)</p> <p>Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Will Harris, Paul Hayhurst, John Singleton JP.</p> |

|   | PROCEDURAL ITEMS:   | PAGE      |
|---|---|-----------|
| 1 | <b>Declarations of Interest:</b><br>Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided. | 1         |
| 2 | <b>Confirmation of Minutes:</b><br>To confirm the minutes, as previously circulated, of the meeting held on <a href="#">29 September 2021</a> as a correct record.  | 1         |
| 3 | <b>Substitute Members:</b><br>Details of any substitute members notified in accordance with council procedure rule 23(c).   | 1         |
|   | <b>AUDIT DECISION ITEMS:</b>  |           |
| 4 | <b>Mid Year Prudential Indicators and Treasury Management Monitoring Report 2021/22</b>   | 3 - 15    |
| 5 | <b>Appointment of External Auditors</b>   | 16 - 17   |
| 6 | <b>Internal Audit Progress Report</b>   | 18 - 32   |
| 7 | <b>Report to Those Charged with Governance (ISA 260) 2020/21</b>  | To Follow |
| 8 | <b>Annual Statement of Accounts 2020/21</b>   | To Follow |
|   | <b>AUDIT INFORMATION ITEMS:</b>   |           |
| 9 | <b>Corporate Governance Action Plan Update</b>  | 35 - 39   |

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

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## DECISION ITEM

| REPORT OF   | MEETING                       | DATE             | ITEM NO |
|---|-------------------------------|------------------|---------|
| CHIEF FINANCIAL OFFICER   | AUDIT AND STANDARDS COMMITTEE | 11 NOVEMBER 2021 | 4       |
| <b>MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2021/22</b> |                               |                  |         |

### PUBLIC ITEM

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

### SUMMARY

This report is a mid-year Prudential Indicators and Treasury Management monitoring report which has been prepared in line with the recommendations of CIPFA's (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management. The report will also be presented for consideration at the Council meeting of 6<sup>th</sup> December 2021.

### RECOMMENDATIONS

#### The committee are recommended to:

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

### SUMMARY OF PREVIOUS DECISIONS

Council approved the 2020/21 to 2024/25 Capital Strategy, which incorporated the Prudential Indicators, at its meeting on 4th March 2021.

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

# MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING

## REPORT 2021/22 – POSITION AS AT 30<sup>th</sup> SEPTEMBER 2021

### Report

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

### Background

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

## 1. Economic Update

### 1.1 Economic Background

- 1.1.1 The economic recovery from the coronavirus pandemic continues to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received the first dose of the COVID-19 vaccine and almost 45 million their second dose.
- 1.1.2 The Bank of England maintained the Bank Base Rate at 0.1% throughout the period and maintained its Quantitative Easing Programme at £895 billion. In its September 2021 policy announcement, the Bank of England noted it now expected the UK economy to grow at a slower pace than was predicted in August as the pace of the global recovery had shown signs of slowing and there were concerns that inflationary pressures may be more persistent.
- 1.1.3 Government initiatives continued to support the economy over the period, including the furlough scheme which came to an end on the 30<sup>th</sup> September 2021.
- 1.1.4 Annual CPI inflation rose to 3.1% in September 2021 with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices.

### 1.2 Economic Outlook

- 1.2.1 The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand had led to the expected rise in inflationary pressures, but the disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rate ahead. This is particularly apparent in the UK due to the impact of Brexit.
- 1.2.2 While Q2 UK GDP expanded more quickly than originally thought, the 'pingdemic' and more latterly the supply disruption will leave Q3 GDP broadly stagnant and consequently indications are that the outlook appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver for recovery, will slow considerably as the support measures introduced to support the economy are reduced.
- 1.2.3 The Monetary Policy Committee has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policy makers suggest Bank Rate will rise unless data indicates a more severe slowdown.

### 1.3 Interest Rate Forecast

- 1.3.1 The latest forecast for interest rates from the Council's Treasury Advisors, Arlingclose, is shown in Table 1 below. Bank rate is expected to increase in the quarter to June 2022 by 0.15%.
- 1.3.12 Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise it is by a lesser extent than expected by the markets.

**Table 1: Interest Rate Forecast from Arlingclose**

| Quarter Ending | Bank Rate % | Investment Rates % |        | Borrowing Rates % |         |         |
|----------------|-------------|--------------------|--------|-------------------|---------|---------|
|                |             | 3 month            | 5 year | 5 year            | 20 year | 50 year |
| Dec 2021       | 0.10        | 0.10               | 0.65   | 2.45              | 3.20    | 3.10    |
| Mar 2022       | 0.10        | 0.15               | 0.65   | 2.45              | 3.20    | 3.10    |
| Jun 2022       | 0.25        | 0.35               | 0.65   | 2.45              | 3.20    | 3.10    |
| Sep 2022       | 0.25        | 0.40               | 0.65   | 2.45              | 3.20    | 3.10    |
| Dec 2022       | 0.25        | 0.45               | 0.65   | 2.45              | 3.15    | 3.05    |
| Mar 2023       | 0.50        | 0.60               | 0.60   | 2.40              | 3.15    | 3.05    |
| Jun 2023       | 0.50        | 0.65               | 0.60   | 2.40              | 3.10    | 3.00    |
| Sep 2023       | 0.50        | 0.65               | 0.60   | 2.40              | 3.10    | 3.00    |
| Dec 2023       | 0.50        | 0.60               | 0.60   | 2.40              | 3.10    | 3.00    |
| Mar 2024       | 0.50        | 0.60               | 0.60   | 2.40              | 3.10    | 3.00    |
| Jun 2024       | 0.50        | 0.60               | 0.60   | 2.40              | 3.10    | 3.00    |
| Sep 2024       | 0.50        | 0.60               | 0.60   | 2.40              | 3.10    | 3.00    |
| Dec 2024       | 0.50        | 0.60               | 0.60   | 2.40              | 3.10    | 3.00    |

## 2. **CIPFA Consultations**

- 2.1 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for commercial investment purposes. The revised codes are still to be released but the following changes are likely:

- Clarification and definitions to define commercial activity and investment, and that an authority must not borrow to invest for the primary purpose of commercial return.
- Defining acceptable reasons to borrow money (i) to finance capital expenditure relating to an authority's functions (ii) temporary cash flow management (iii) securing affordability by removing exposure to future interest rates (iv) refinancing current borrowing and replacing internal borrowing.
- Proportionality will be included as an objective with a new indicator to measure income from commercial and service investments.
- A liability benchmark will become a mandatory treasury indicator.
- Environmental, social and governance issues will become a consideration as part of the Treasury Management Code of practice.

## 3. **Debt Management**

- 3.1 The Council currently holds no external debt.

- 3.2 The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. For 2021/22 the Council has a £4.6m Capital Financing Requirement (CFR) based on prudential borrowing for past and current capital expenditure that has been approved as part of the Capital Programme (See Appendix B Table 2). Currently this is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors.
- 3.3 The use of internal resources in lieu of borrowing, i.e. internal borrowing, has continued to be the most cost-effective means of funding capital expenditure. Using internal borrowing lowers the overall treasury risk by reducing both external debt and temporary investments. However, this position may not be sustainable over the longer term. Consequently, external borrowing options and the timing of such borrowing will continue to be assessed in consultation with the Council's Treasury Advisors.

#### **4. Investments**

##### **4.1 Treasury Investment Activity**

- 4.1.1 The Council holds significant invested funds, representing income received in advance of expenditure, monies held on behalf of the Council Tax and Business Rates Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held.
- 4.1.2 The Council held £37.0m of cash and investments as at 30<sup>th</sup> September 2021. This balance of funds is likely to reduce during the remainder of the financial year.
- 4.1.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.1.4 Given the increasing risk and low returns from short-term unsecured bank investments, the Authority has continued to invest in Local Authority loans with a maximum duration of 365 days.
- 4.1.5 The security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in the Investment Strategy for 2021/22 approved by Council on 4th March 2021.
- 4.1.6 The Council defines "high credit quality" organisations as:
- those having a credit rating of A- or higher and that are domiciled in the UK for deposits of up to one year,
  - those domiciled in a foreign country those with a sovereign rating of AA+ or higher for deposits of up to one year.

These criteria are specified within table 4 (Approved Investment Counterparties and limits) of the Treasury Management Strategy as approved by the Council on 4th March 2021.

- 4.1.7 There has been continued downward pressure on the returns of short duration investments. The returns on some Money Market Funds are zero and there have been occasions when returns on overnight investments with the Debt Management Office became negative.
- 4.1.8 Internally managed funds of £31.7m (average for the period to 30<sup>th</sup> September 2021) have been invested in deposit accounts, call accounts, Local Authorities, Money Market Funds and the Debt Management Office during the first half of the year. The council's cash flow has continued to fluctuate during the first half of the year, due largely to the timings of receipts and payments in respect of the Government Covid Business Support Scheme monies.

- 4.1.9 Deposits have been made at an average rate of 0.16%, which is above the benchmark return (based on the SONIA – Sterling Overnight Interbank Average Rate) of 0.05%. This has been achieved in the main by investments in other Local Authorities. The Council's original estimate for investment income for 2021/22 was £49.6k. Income from investments has been lower than the forecast amount due to downward returns on short duration investments driven by the historically low bank base rate. Consequently, this income budget has been reviewed and will be reduced to £28.1k to reflect the latest estimated level of income, representing a decrease in forecast interest earnings for the current year of £21.5k. This change will be updated in the financial forecast.

## **5. Compliance**

- 5.1 The Chief Financial Officer reports that all treasury management activities undertaken during the half year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.
- 5.2 Details of the Prudential Indicators can be found in Appendix B. As changes arise during the year some of the Prudential Indicators and Limits need to be revised.

## **6. Risk Assessment**

- 6.1 Scrutiny of the revised Prudential Indicators and Limits and the subsequent recommendation of approval to the revisions by Audit and Standards Committee to Council helps to protect the Council from the risk of not having adequate liquidity or funding for the Council's capital plans.
- 6.2 Additionally, if this scrutiny process was absent the Council would not be compliant with the Council's approved Treasury Management Practices (as detailed in the Council Constitution) or CIPFA's Code of Practice on Treasury Management.

## **7. Conclusion**

- 7.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first half of 2021/22. As indicated in this report, all of the Prudential Indicators have been complied with and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

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

| LEAD AUTHOR                                | CONTACT DETAILS | DATE          |
|--|-----------------|---------------|
| Paul O'Donoghue<br>Chief Financial Officer | 01253 658566    | November 2021 |

| BACKGROUND PAPERS  |                                   |  |
|--|-----------------------------------|--|
| Name of document   | Date                              | Where available for inspection                         |
| Medium Term Financial Strategy Update<br>Including General Fund, Capital Programme<br>& Treasury 2020/21 – 2024/25 | Council meeting 4th<br>March 2021 | <a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a> |

Attached documents

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



## Glossary of Treasury Terms

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

## **Treasury Management and Prudential Indicators Frequently Asked Questions**

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

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

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

### **2. What does the term 'financing' mean?**

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

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

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

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

### **4. What does the term 'net borrowing should not exceed the total of the CFR' mean?**

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

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

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

### **6. What does the Council invest in?**

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

The Council's investments are typically short term, i.e. less than a year, and are made in sterling with institutions with high credit ratings. This is in accordance with the Treasury Management Strategy approved on the 4th March 2021.

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

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

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

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

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

## Prudential Indicators

### 1.1 Capital Expenditure

Table 1 shows the revised forecast capital expenditure as reported in the latest Capital Programme Monitoring Report as at 30<sup>th</sup> September 2021 as compared to the capital expenditure originally approved by Council.

**Table 1: Forecast Capital Expenditure**

| Forecast Capital Expenditure | 2021/22<br>Original<br>Indicator<br>£M | 2021/22<br>Latest<br>Estimate<br>£M |
|------------------------------|--|-------------------------------------|
| Total                        | 8.6                                    | 14.0                                |

The above table shows the forecast capital expenditure for 2021/22. The large increase in the latest estimate of capital spend for the year is a consequence of slippage and re-phasing of a number of capital schemes from 2020/21 into 2021/22 and the addition to the capital programme of two new significant grant funded schemes (namely the Kirkham Future High Street Fund scheme, estimated expenditure in 2021/22 - £3.5m and the St. Anne's Sea Wall Scheme, estimated expenditure in 2021/22 - £0.9m), both of which have been approved since the Budget Council meeting of March 2021.

### 1.2 Capital Financing Requirement (CFR)

Table 2 shows the CFR which is the total of all of the Council's capital assets (existing and planned) less all of the Council's capital reserves. This is the amount of capital expenditure that the Council has still to finance. The CFR is normally funded by external borrowing but currently is being funded by the Council's cash flow, i.e. internal borrowing, and it is expected that internal borrowing will continue to be used for the rest of the financial year in line with advice from the Council's Treasury Advisors. The Council has no existing borrowing therefore there is a requirement to finance £4.6m from internal cash resources as described in section 3 of the report.

**Table 2: Capital Financing Requirement (CFR)**

|           | 2021/22<br>Original<br>Indicator<br>£M | 2021/22<br>Latest<br>Estimate<br>£M |
|-----------|--|-------------------------------------|
| Total CFR | 4.8                                    | 4.6                                 |

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

### 1.3 Gross Debt and Capital Finance Requirement

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

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

**Table 3: Gross Debt and Capital Finance Requirement**

| As at 31/03/2021              | 2021/22<br>Original<br>Indicator<br>£M | 2021/22<br>Latest<br>Estimate<br>£M |
|-------------------------------|--|-------------------------------------|
| Estimated Long Term Borrowing | 0                                      | 0                                   |

|                               |     |     |
|-------------------------------|-----|-----|
| Capital Financing Requirement | 4.8 | 4.6 |
|-------------------------------|-----|-----|

The Council is forecast to be able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2021/22, in line with advice from Treasury Advisors.

#### 1.4 Authorised Limit and Operational Boundary for External Debt

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

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

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

There were no breaches to the Authorised Limit and the Operational Boundary to 30<sup>th</sup> September 2021.

**Table 4: Authorised Limit and Operational Boundary for External Debt**

|  | 2021/22<br>Original<br>Indicator<br>£M | 2021/22<br>Latest<br>Estimate<br>£M |
|--|--|-------------------------------------|
| Authorised Limit – total external debt | 8.0                                    | 6.0                                 |
| Operational boundary                   | 2.0                                    | 0                                   |

#### Note

1. The Authorised Limit and Operational Boundary have reduced as a consequence of there being no requirement to borrow in the short-term for day to day cash flow. The Council is able to fund the capital borrowing requirement with internal borrowing and does not expect to require new external borrowing during 2021/22.

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

#### 1.5 Forecast Treasury Position

Table 5 shows the expected balances for investments and debt at 31<sup>st</sup> March 2022.

**Table 5: Forecast Treasury Position**

|  | 2021/22<br>Estimate<br>£M | 2021/22<br>Revised<br>£M |
|--|---------------------------|--------------------------|
| Debt (Long-Term<br>External Borrowing) | 0                         | 0                        |
| Investments                            | 14.6                      | 18.1                     |

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

The forecast investments position has been updated to reflect the latest changes to the movements in reserves, provisions and capital expenditure. The increase in the level of investments at the 31<sup>st</sup> March 2022 from £14.6m to £18.1m is a consequence of the forecast timing of daily cash flows.

#### 1.6 Proportion of Financing Costs to Net Revenue Stream

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

**Table 6: Ratio of Financing Costs to Net Revenue Stream**

|                                  | 2021/22<br>Estimate<br>£M | 2021/22<br>Revised<br>£M |  |
|----------------------------------|---------------------------|--------------------------|--|
| Financing costs (£m)             | 0.734                     | 0.750                    |  |
| Proportion of net revenue stream | 5.9%                      | 5.9%                     |  |

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

#### 1.7 Investments over 365 days

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

**Table 7: Investments over 365 days**

|                                     | 2021/22<br>Estimate<br>£M | 2021/22<br>Revised<br>£M |
|-------------------------------------|---------------------------|--------------------------|
| Limit for investments over 365 days | 5.0                       | 0                        |

## Existing Investment &amp; Debt Portfolio Position at 30.09.21

|                                   | 30.09.21<br>Actual Portfolio<br>£m | 30.09.21<br>Average Rate<br>% |
|-----------------------------------|------------------------------------|-------------------------------|
| <b>External Borrowing:</b>        |                                    |                               |
| Public Works Loan Board           | 0                                  | -                             |
| <b>Total External Borrowing</b>   | <b>0</b>                           |                               |
| <b>Treasury investments:</b>      |                                    |                               |
| <b><u>Short Term</u></b>          |                                    |                               |
| Banks – unsecured                 | (1.0)                              | 0                             |
| Debt Management Office (DMO)      | (11.0)                             | 0.01                          |
| Local Authority Loans             | (14.0)                             | 0.16                          |
| LCC Call Account Facility         | (5.0)                              | 0.05                          |
| Money Market Funds                | (6.0)                              | 0.01                          |
| <b>Total Treasury Investments</b> | <b>(37.0)</b>                      |                               |
| <b>Net Borrowing / (Lending)</b>  | <b>(37.0)</b>                      |                               |

## DECISION ITEM

| REPORT OF                               | MEETING                       | DATE             | ITEM NO |
|---|-------------------------------|------------------|---------|
| RESOURCES DIRECTORATE                   | AUDIT AND STANDARDS COMMITTEE | 11 NOVEMBER 2021 | 5       |
| <b>APPOINTMENT OF EXTERNAL AUDITORS</b> |                               |                  |         |

### PUBLIC ITEM

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

### SUMMARY

The council presently appoints its external auditors through Public Sector Audit Appointments ('PSAA'), which is a not-for-profit organisation appointed by the secretary of state to make auditor appointments for local government. To continue this arrangement for the period 2023-28, the council needs to opt-in to the PSAA scheme. The report discusses the advantages of opting-in and recommends that the council be recommended to opt in.

### RECOMMENDATIONS

Recommend to the council that Fylde Borough Council formally opts in to the Public Sector Audit Appointments national scheme for the appointment of its external auditors during the period 2023-28.

### SUMMARY OF PREVIOUS DECISIONS

Council, 6 February 2017:

1. Note the update on the issues arising from the introduction of new powers for local authorities to appoint their external auditor from the 2018/19 financial year onwards as contained within this report; and
2. To approve the recommendation of the Audit and Standards Committee at the meeting of 19<sup>th</sup> January 2017 that Fylde Council agree to opt-in to the national scheme for auditor appointments that is managed by Public Sector Auditor Appointments Limited (PSAA).

### CORPORATE PRIORITIES

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



## REPORT

1. A relevant authority must appoint an external auditor to audit its accounts. An authority like Fylde<sup>1</sup> can either appoint its external auditor directly, or an 'appointing person' can make an appointment on the Council's behalf<sup>2</sup>. 'Appointing persons' are appointed by the secretary of state. The only 'appointing person' is Public Sector Audit Appointments ('PSAA'). PSAA is a not-for-profit body under the auspices of the Local Development and Improvement Agency. Since the present system was introduced by the Local Audit and Accountability Act 2014, Fylde's external auditors have been appointed by PSAA.
2. To continue to have PSAA appoint external auditors on its behalf for the period 2023-2028, Fylde must formally opt-in to the PSAA national scheme. The decision to opt in must be made by full council. The committee is asked to recommend to the council whether it should opt in.
3. The PSAA prospectus, setting out the advantages of continuing to be part of the PSAA scheme is [here](#). The advantages include achieving lower audit prices through large-scale collective procurement and independent and professional management of audit contracts
4. The alternative to opting in would be for the council to directly appoint its external auditors. This would require Fylde to appoint an independent 'auditor panel' to advise it on the selection and appointment of its external auditor and the maintenance of an independent relationship with the auditor. The composition, governance and duties of the panel are subject to extremely detailed regulation. The council must publish the advice of the panel and the reasons for any departure from that advice. The vast majority of local authorities appoint their external auditors through PSAA, to avoid the complex and bureaucratic machinery around auditor panels.

| IMPLICATIONS                            |   |
|---|---|
| Finance                                 | There are no financial implications from opting-in to the PSAA national scheme for auditor appointments.  |
| Legal                                   | The council is required under the Local Audit and Accountability Act 2014 to appoint external auditors, either directly, taking into account the advice of its audit panel, or through PSAA and an 'appointing person'. |
| Community Safety                        | No implications   |
| Human Rights and Equalities             | No implications   |
| Sustainability and Environmental Impact | No implications   |
| Health & Safety and Risk Management     | External audit is a key component of a robust risk management environment.  |

| LEAD AUTHOR | CONTACT DETAILS                            | DATE              |
|-------------|--|-------------------|
| Ian Curtis  | ian.curtis@fylde.gov.uk & Tel 01253 658506 | 29 September 2021 |

| BACKGROUND PAPERS |                            |   |
|-------------------|----------------------------|---|
| Name of document  | Date                       | Where available for inspection  |
| PSAA prospectus   | Accessed 29 September 2021 | <a href="http://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/final-prospectus-2023-and-beyond/">http://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/final-prospectus-2023-and-beyond/</a> |

<sup>1</sup> A further route is available to authorities with a turnover below a specified amount: This does not apply to Fylde.

<sup>2</sup> Local Audit and Accountability Act 2014, section 14; Local Audit (Appointing Person) Regulations 2015.

## DECISION ITEM

| REPORT OF                             | MEETING                       | DATE             | ITEM NO |
|---------------------------------------|-------------------------------|------------------|---------|
| RESOURCES DIRECTORATE                 | AUDIT AND STANDARDS COMMITTEE | 11 NOVEMBER 2021 |         |
| <b>INTERNAL AUDIT PROGRESS REPORT</b> |                               |                  |         |

### PUBLIC ITEM

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

### SUMMARY

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

### RECOMMENDATION

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

### SUMMARY OF PREVIOUS DECISIONS

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

Internal Audit Plan 2021/22 audit review timing changes approved by the Audit and Standards Committee on 29<sup>th</sup> September 2021.

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

### REPORT

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

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

| LEAD AUTHOR   | CONTACT DETAILS  | DATE          |
|---------------|--|---------------|
| Sandra Cudlip | <a href="mailto:sandra.cudlip@miaa.nhs.uk">sandra.cudlip@miaa.nhs.uk</a> | November 2021 |

| BACKGROUND PAPERS   |              |                                |
|---------------------|--------------|--------------------------------|
| Name of document    | Date         | Where available for inspection |
| Internal Audit Plan | 15 July 2021 | Internal Audit Team            |

Attached documents

Appendix 1 - Internal Audit Progress Report

# Internal Audit Progress Report Audit & Standards Committee (November 2021)

Fylde Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit & Standards Committee Attention

**Appendix A:** Contract Performance

**Appendix B:** Performance Indicators

**Appendix C:** Key Areas and Actions to be Delivered

**Appendix D:** Assurance Definitions and Risk Classifications

## Your Team

| Name          | Role               | Contact Details                           |
|---------------|--------------------|---|
| Sandra Cudlip | Engagement Lead    | Sandra.Cudlip@miaa.nhs.uk<br>07825 606054 |
| Fiona Hill    | Engagement Manager | Fiona.Hill@miaa.nhs.uk<br>07825 592842    |

## Limitations

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

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

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

## Public Sector Internal Audit Standards

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

## 1 Introduction

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

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

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

This progress report covers the period 17<sup>th</sup> September– 29<sup>th</sup> October 2021.

## 2 Executive Summary

There has been the focus on the following areas:

### 2021/22 Audit Reviews

The following reviews have been agreed with management:

- Disabled Facilities Grants (Moderate assurance level)
- Risk Management (Moderate assurance level)
- Housing Benefits (Substantial assurance level)

Refer to Appendix C for details of key findings and actions to be delivered

The reviews below are currently being scoped or are in progress:

- Corporate Health & Safety (fieldwork)
- Cyber Security (fieldwork)
- Data Sharing Protocols (fieldwork)
- Treasury Management (planning)
- Property Repairs & Management (planning)
- Key Financial Controls (planning)
- Third Party Assurance (planning)
- Project Management Framework (planning)

Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2021/22.

|                    |  |
|--------------------|--|
|                    | Appendix B provides information on Internal Audit performance.   |
| Follow Up          | A summary of the status of moderate and limited assurance rated reports was provided at the previous Audit and Standards Committee in September. We will continue to follow-up outstanding actions and will provide a further update at the January 2022 meeting.  |
| Audit Plan Changes | <p>Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"> <li>• There are no current proposals to amend the approved audit plan.</li> </ul>  |
| Insights           | <p>Our latest briefings/blogs are:</p> <ul style="list-style-type: none"> <li>• <a href="#">Learning from Political Leadership</a></li> <li>• <a href="#">Interns reflect on their year at MIAA</a></li> <li>• <a href="#">MIAA Social Value Statement</a></li> <li>• <a href="#">Internal Audit: Focus on the Future</a></li> <li>• <a href="#">How Information Governance supported the Covid-19 response</a></li> </ul> <p>Collaborative Masterclass Events</p> <ul style="list-style-type: none"> <li>• <a href="#">Leading for Social Change: Becky Margiotta, The Billions Institute</a> (11<sup>th</sup> November 2021)</li> <li>• <a href="#">How the North West is facing the Building Back Fairer Challenge: Professor Sir Michael Marmot</a> (18<sup>th</sup> November 2021)</li> </ul> |



## Appendix A: Contract Performance

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

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2021/22:

| HOIA Opinion Area                      | Status                            | Assurance Level |
|--|-----------------------------------|-----------------|
| Risk Management                        |                                   |                 |
| Risk Management                        | Completed                         | Moderate        |
| Risk Based Assurances                  |                                   |                 |
| Vehicles and Equipment Asset Disposals | Completed                         | Limited         |
| Disabled Facilities Grant              | Completed                         | Moderate        |
| Housing Benefits                       | Completed                         | Substantial     |
| Health & Safety                        | In progress                       |                 |
| Third Party Assurance                  | Planning                          |                 |
| Property Repairs and Maintenance       | Planning                          |                 |
| Data Sharing Protocols                 | Fieldwork                         |                 |
| Cyber Security                         | Fieldwork                         |                 |
| Project Management                     | Planning                          |                 |
| Treasury Management                    | Planning                          |                 |
| NNDR & Council Tax                     | Qtr 4                             |                 |
| Key Financial Controls                 | Planning                          |                 |
| S106                                   | Qtr 4 (Terms of Reference Agreed) |                 |
| COVID Support                          | TBC                               |                 |

### Follow Up

| HOIA Opinion Area | Status          | Assurance Level |
|-------------------|-----------------|-----------------|
| Qtr 1             | Completed       | N/A             |
| Qtr 2             | Completed       |                 |
| Qtr 3             | Scheduled Qtr 3 |                 |
| Qtr 4             | Scheduled Qtr 4 |                 |

#### Management

|  |         |     |
|--|---------|-----|
| Head of Internal Audit Opinion/Annual Report/Annual Governance Statement | Ongoing | N/A |
| Planning and Management  |         |     |
| Reporting and Meetings   |         |     |
| Contingency  |         |     |

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

## Appendix B: Performance Indicators

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

| Element  | Reporting Regularity | Status | Summary   |
|--|----------------------|--------|---|
| Delivery of the Head of Internal Audit Opinion (Progress against Plan)                   | Each Audit Committee | Green  | There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.   |
| Issue a Client Satisfaction Questionnaire following completion of every audit.           | Ongoing              | Green  | Link to questionnaire included within each audit report.  |
| Percentage of recommendations raised which are agreed                                    | Quarterly            | Green  | Actions agreed by the Council on all recommendations raised.  |
| Percentage of recommendations which are implemented – reports issued prior to April 2021 | Quarterly            | Amber  | Most recommendations have been implemented or are in progress. For most of those outstanding, implementation has been delayed as a result of COVID-19.  |
| Percentage of recommendations which are implemented - reports issued post April 2021     | Quarterly            | N/A    | Recommendations are not due for follow up.  |
| Qualified Staff  | Annual               | Green  | MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.   |
| Quality  | Annual               | Green  | MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public |

| Element | Reporting Regularity | Status | Summary                               |
|---------|----------------------|--------|---------------------------------------|
|         |                      |        | Sector Internal Audit Code of Ethics. |

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

| Report Title      | Disabled Facilities Grant  |          |            |         |
|-------------------|--|----------|------------|---------|
| Executive Sponsor | Director of Development Services   |          |            |         |
| Objective         | The overall objective was to evaluate the controls in place to manage the key risks which would affect the effective operation of the organisation's system for authorisation, payment and monitoring of Disabled Facilities Grants (DFG) by Fylde Borough Council.  |          |            |         |
| Assurance Level   | Moderate   |          |            |         |
| Recommendations   | 0 X Critical   | 1 x High | 5 x Medium | 2 x Low |
| Summary           | <p>Overall, the review identified that controls were designed and operating effectively with regard to records maintained in relation to grants awarded. However, there were areas of operational practice that were inconsistent with formal policy and areas where policy and process would benefit from strengthening.</p> <p>A priority area for action is to retain evidence and demonstrate more formally that value for money has been considered, in particular when approving single tender quotes.</p> <p>We did note also that there was a high number of satisfaction surveys completed and submitted. These showed, overall, applicants were pleased with both the DFG service and the works / equipment for which grants are awarded to provide a more independent lifestyle than they may otherwise enjoy.</p> <p>We suggested a number of key actions as a result, which have been agreed by the council's management, in order to strengthen control measures going forward. Actions are being assigned owners and finalised.</p> |          |            |         |

|   |  |          |            |         |
|---|--|----------|------------|---------|
| Key Risks Highlighted with No Agreed Action | N/A  |          |            |         |
| Report Title                                | Risk Management  |          |            |         |
| Executive Sponsor                           | Director of Resources  |          |            |         |
| Objective                                   | The overall objective of the review was to provide assurance on the design and operating effectiveness of the Council's risk management processes.   |          |            |         |
| Assurance Level                             | Moderate Assurance   |          |            |         |
| Recommendations                             | 0 X Critical   | 1 x High | 4 x Medium | 2 x Low |
| Summary                                     | <p>The review identified that although there was a risk management system in place that was operational to some degree, there were a number of areas where further improvement is required.</p> <p>In determining our overall assurance we have sought to acknowledge the work the Council has undertaken to improve and develop the risk management systems and note that the direction of travel is positive. We also note the impact of regular change to the personnel in the risk management officer role. In addition the previous HOIA, who fulfilled the risk management officer role, was administering business grants and audit returns for several months prior to her departure.</p> <p>Due to pressures caused by COVID and timing of key staff changes, the first part of the year provided limited evidence of formal risk management processes taking place.</p> <p>Managers told us that they are managing risks at a local level and that this can be outside the agreed Council risk management framework. There is greater opportunity to embed processes in the year to allow the Council's risk management to operate effectively and continue to mature including delivering the planned training halted by the pandemic.</p> <p>The Council has updated its Risk Management Strategy and had a Strategic Risk Management Group that had oversight of the strategic risks. The strategic risks were maintained on the GRACE system and were found to have been recently updated.</p> |          |            |         |

|   |  |
|---|--|
|   | Management are finalising actions including responsible officer and implementation date and will be presenting them to the Strategic Risk Management Group in November for agreement |
| Key Risks Highlighted with No Agreed Action | N/A  |

|                   |   |          |            |         |
|-------------------|---|----------|------------|---------|
| Report Title      | Housing Benefits  |          |            |         |
| Executive Sponsor | Director of Resources   |          |            |         |
| Objective         | The overall objective was to identify and evaluate the controls in place to manage key risks that would affect the effective operation of the system in place for Housing Benefits.   |          |            |         |
| Assurance Level   | Substantial Assurance   |          |            |         |
| Recommendations   | 0 X Critical  | 0 x High | 3 x Medium | 0 x Low |
| Summary           | <p>Overall, the review identified that controls were designed and operating effectively.</p> <p>Housing Benefits are administered by the Blackpool Council Revenues and Benefits Team on behalf of Fylde Borough Council. Blackpool Council had several mechanisms in place for staff to receive appropriate support, training, and guidance to fulfil their duties, however, all procedural guidance should be version controlled. Procedural guidance in respect of overpayments and appeals also needs to be developed.</p> <p>From our sample testing during the period April 2021 to June 2021 Benefit applications, changes in circumstances and backdated claims were correctly assessed including eligibility checks in line with regulations and were processed in a timely manner. Case reviews for particular, high risk, claimants were also evidenced as part of our sample testing.</p> <p>Fylde Council are responsible for reconciliation of the benefits system and the general ledger with evidence being provided to show monthly reconciliations as part of the overall bank reconciliation process. Segregation of duties were evidenced to be in place.</p> |          |            |         |

|   |   |
|---|---|
|   | <p>Shared service targets have been set for the year 2021/22, with performance against these being monitored across all levels of the Council.</p> <p>We suggested some actions as a result, which have been agreed by the council's management, in order to strengthen control measures going forward.</p> |
| Key Risks Highlighted with No Agreed Action | N/A   |

## Appendix D: Assurance Definitions and Risk Classifications

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

| Risk Rating | Assessment Rationale   |
|-------------|--|
| Critical    | <p>Control weakness that could have a significant impact upon, not only the system, function, or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul> |
| High        | Control weakness that has or could have a significant impact upon the achievement of key system, function, or process objectives. This   |

|        |  |
|--------|--|
|        | weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.   |
| Medium | Control weakness that: <ul style="list-style-type: none"><li>• has a low impact on the achievement of the key system, function, or process objectives.</li><li>• has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.</li></ul> |
| Low    | Control weakness that does not impact upon the achievement of key system, function, or process objectives; however, implementation of the recommendation would improve overall control.  |



## DECISION ITEM

| REPORT OF  | MEETING                       | DATE             | ITEM NO |
|--|-------------------------------|------------------|---------|
| CHIEF FINANCIAL OFFICER  | AUDIT AND STANDARDS COMMITTEE | 11 NOVEMBER 2021 | 7       |
| <b>REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2020/21</b> |                               |                  |         |

### PUBLIC ITEM

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

### SUMMARY

Please note that the REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2020/21 report is TO FOLLOW.

## DECISION ITEM

| REPORT OF               | MEETING                       | DATE             | ITEM NO |
|-------------------------|-------------------------------|------------------|---------|
| CHIEF FINANCIAL OFFICER | AUDIT AND STANDARDS COMMITTEE | 11 NOVEMBER 2021 | 8       |

### ANNUAL STATEMENT OF ACCOUNTS 2020/21

#### PUBLIC ITEM

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

#### SUMMARY

Please note that the ANNUAL STATEMENT OF ACCOUNTS 2020/21 report is TO FOLLOW.

## INFORMATION ITEM

| REPORT OF                                      | MEETING                       | DATE             | ITEM NO |
|--|-------------------------------|------------------|---------|
| RESOURCES DIRECTORATE                          | AUDIT AND STANDARDS COMMITTEE | 11 NOVEMBER 2021 | 9       |
| <b>CORPORATE GOVERNANCE ACTION PLAN UPDATE</b> |                               |                  |         |

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

An update of the Corporate Governance Action Plan is attached to this report.

### SOURCE OF INFORMATION

Corporate Governance Group

### WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Updates to the action plan are brought to committee throughout the year.

### FURTHER INFORMATION

Contact Tracy Manning, [tracy.manning@fylde.gov.uk](mailto:tracy.manning@fylde.gov.uk) 01253 658521

## INFORMATION NOTE

### Corporate Governance Action Plan Update

| Area Requiring Action  | Senior Responsible Officer     | Progress update  | Status      | Completion Date               |
|--|--------------------------------|--|-------------|-------------------------------|
| <b>As a result of a recommended action by the Planning Advisory Service (PAS) Provide briefings on the Complaints Procedure and provide conflict resolution and customer care training for officers involved in complaint handling</b> | Alex Scrivens (Corporate Team) | <p>This work has now been completed. A new online complaints reporting procedure has been developed to make the stages of complaint handling more intuitive.</p> <p>A corporate training module has been developed for staff which incorporates complaints handling. It is about to be launched with a completion date set for 31<sup>st</sup> January 2022</p>  | In-progress | 31 <sup>st</sup> January 2022 |
| <b>As a result of a recommendation by PAS consider a targeted Planning Peer Review by the Planning Advisory Service</b>  | Mark Evans (Planning)          | Action carried forward from the 2020/21 Corporate Governance Action Plan. Corporate Management Team has recommended that senior members are consulted on whether a peer planning review would be supported at this time. There are complexities in that resources are being concentrated on the implementation of a new planning system in 2021/22, so any peer review would be better timed in 2022/23, if supported. | On-going    | 31 <sup>st</sup> March 2022   |

|  |  |  |  |             |                                |
|--|--|--|--|-------------|--------------------------------|
|  | <b>GDPR – updating of key policies &amp; procedures, provision of support &amp; awareness raising to assist managers in meeting their compliance obligations</b>     | Ian Curtis (DPO) and Ben McCabe (Deputy DPO) | <p>Three key policies have been updated within the last two years, i.e.:</p> <p>Data Retention Policy: August 2021<br/>Data Assurance Policy: September 2020<br/>Information Governance Framework: January 2020</p> <p>Support and awareness raising is ongoing.</p>   | Completed   |                                |
|  |  |  |  | On-going    | 31 March 2022                  |
|  |  |  |  |             |                                |
|  | <b>Core Competencies Review ‘Fylde 2024’ initiative</b>  | Kirstine Riding (Housing Manager)            | Core competencies reviewed and to be re-presented to corporate management team for discussion and adoption.  | In-progress | 30 <sup>th</sup> November 2021 |
|  | <b>Actions as a result of Covid-19 to consider the longer-term implications of agile working with a view to re-setting the culture and behaviours of the council</b> | Alex Scrivens (Corporate Team)               | The Corporate Team are currently working with the HR Service developing a model for hybrid working. This will provide an overview of the key considerations of developing a way of structuring work, communication, hours, and physical locations to enable staff to be as productive as possible no matter where, when or who they work with. Work has already commenced on a three-month trial of home and hybrid working solutions running the end of this calendar year. | In-progress | 31 <sup>st</sup> March 2022    |

|  |  |   |   |                            |                                   |
|--|--|---|---|----------------------------|-----------------------------------|
|  |  |   |   |                            |                                   |
|  | <p><b>Incorporate governance changes agreed by the council as a part of the Local Government Boundary Commission (LGBC) submission within the Constitution for formal approval and complete three-yearly Constitution Review</b></p> | <p>Tracy Manning<br/>(Director of Resources)</p>              | <p>The principles of a revised governance framework have been agreed by the council as a part of the submission to the LGBC. These proposals will require incorporation into a revised version of the Constitution in preparedness for implementation post 2023 elections. This work will require to be instigated early in 2022 in readiness. The Constitution three-yearly review will also be incorporated at the same time.</p> <p>Both pieces of work will be taken forward by the Monitoring Officer in consultation with a Constitution Review Working Group which the Audit and Standards Committee will be invited to appoint at its 17 March 2023 meeting</p> | <p>In-progress</p>         | <p>17<sup>th</sup> March 2023</p> |
|  | <p><b>Service Planning</b></p>   | <p>Tracy Manning/<br/>Paul Walker<br/>(Service Directors)</p> | <p>Service Plan for the Resources Directorate complete.<br/>No Service Plan completed for the Development Services Directorate due to imminent management changes. It is suggested that this action is paused to allow the new management structure to be implemented in order that future Service Planning can follow this model.</p>  | <p>Partially completed</p> | <p>Paused</p>                     |

|   |                                       |  |             |   |
|---|---------------------------------------|--|-------------|---|
| <b>Fraud Awareness</b>  | Corporate Fraud Team                  | To undertake corporate fraud training for council staff to raise awareness for the potential for fraud and the systems in place for elevating and reporting any concerns.<br>It has been agreed with the Fraud Manager that this training will be organised early in the New Year.   | Outstanding | 31 <sup>st</sup> October 2021<br><br>Revised date 30 <sup>th</sup> January 2022 |
| <b>Health and safety</b>  | Corporate Health and Safety Team      | Service Directors have agreed a schedule of departmental audits.   | In-progress | 31 <sup>st</sup> March 2022   |
| <b>Head of Internal Audit Opinion – Limitation of Scope</b>                 | Tracy Manning (Director of Resources) | To take action to ensure sufficient internal audit work is undertaken to gain assurance during 2021/22 to issue a full Head of Internal Audit opinion.<br>There is a standing item on management team on the subject of governance. Tracy Manning raises issues with colleagues on a regular basis to seeks to ensure that all managers are aware of the need to meet the timetable of reviews set out within the audit plan. The Corporate Governance Group continues to meet on a regular basis to review issues relating to audit, governance and risk. | In-progress | 31 <sup>st</sup> March 2022   |
| <b>FURTHER INFORMATION AVAILABLE FROM</b><br>Contact: Director of Resources |                                       |  |             |   |