Borough Council of
King's Lynn &
West Norfolk

Audit Committee

Agenda

Monday, 28th February, 2022
at 4.30 pm

in the

Assembly Room
Town Hall
Saturday Market Place
King's Lynn

Available to view on You Tube by clicking on the link below:
https://www.youtube.com/user/WestNorfolkBC

Borough Council of
King's Lynn &
West Norfolk

King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX
Telephone: 01553 616200

18 February 2022

Dear Member

Audit Committee

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Monday, 28th February, 2022 at 4.30 pm** in the **Assembly Room, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. Apologies

2. Minutes (Pages 5 - 13)

To approve the minutes from the Audit Committee held on 22 November 2021.

3. Declarations of Interest

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on any item or simply observing the meeting from the public seating area.

4. Urgent Business Under Standing Order 7

To consider any business which, by reason of special circumstances, the Chairman proposed to accept as urgent under Section 100(b)(4)(b) of the

Local Government Act 1972.

5. Members Present Pursuant to Standing Order 34

Members wishing to speak pursuant to Standing Order 34 should inform the Chair of their intention to do so and on what items they wish to be heard before a decision on that item is taken.

6. Chair's Correspondence (if any)

7. Risk Management Policy and Strategy Review (Pages 14 - 49)

8. Corporate Risk Register Monitoring Report (Pages 50 - 71)

9. Mid Year Review Treasury Report 2021/2022 (Pages 72 - 94)

10. Cabinet Forward Decisions List (Pages 95 - 98)

11. Committee Work Programme (Pages 99 - 104)

To note the Committee's Work Programme.

12. Date of Next Meeting

To note that the date of the next meeting of the Audit Committee will take place on 29 March 2022 at 5 pm in the Assembly Room, Town Hall, Saturday Market Place, King's Lynn.

To:

Audit Committee: Councillors Mrs J Collingham, J Collop, P Gidney, J Lowe (Chair), C Manning, C Morley (Vice-Chair), J Rust, A Ryves and M Storey

Portfolio Holders:
Items 7 and 8: Councillor S Dark, Leader
Item 9: Councillor Mrs A Dickinson, Finance

Officers:
Alexa Baker, Monitoring Officer
Michelle Drewery, Assistant Director, Resources/Management Team Representative
Ged Greaves, Corporate Performance Manager
Faye Haywood, Internal Audit Manager
Carl Holland, Financial Services Manager

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 22nd November, 2021 at 3.00 pm in the Assembly Room, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor J Lowe (Chair)
Councillors Mrs J Collingham, P Gidney, C Morley (Vice-Chair), J Rust and A Ryves

Portfolio Holder:
Councillor Mrs A Dickinson, Finance (via Zoom)

Officers:
Michelle Drewery, Assistant Director - Resources
Jamie Hay, Senior Internal Auditor
Faye Haywood, Internal Audit Manager
Carl Holland, Financial Services Manager
Wendy Vincent, Democratic Services Officer

A44 APOLOGIES

Apologies for absence were received from Councillors J Collop, C Manning and M Storey.

A45 MINUTES

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The minutes of the Audit Committee held on 12 October 2021 were agreed as a correct record and signed by the Chair.

A46 DECLARATIONS OF INTEREST

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There were no declarations of interest.

A47 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

A48 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

A49 CHAIR'S CORRESPONDENCE

There was no Chair's correspondence.

A50 INTERNAL AUDIT HALF YEAR PROGRESS REPORT

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The Internal Audit Manager presented the report and drew the Committee's attention to the following sections:

- 1 – Introduction.
- 2 – Significant changes to the approved Internal Audit Plan.
- 3 – Progress made in delivering the agreed Audit work.
- 4 – The outcomes arising from the work undertaken by the Internal Audit Team.
- Appendix 1 – Progress in completing the agreed Audit work.
- Appendix 2 – Audit Report Executive Summary.

In response to a comment from Councillor Morley on the email he had sent to the Internal Audit Manager, the Internal Audit Manager explained that she would respond to the specific questions via email direct to Councillor Morley.

Following a question from Councillor Ryves, the Internal Audit Manager explained that other council owned companies Alive West Norfolk had not been included in the Audit Plan. Planning for the next Audit Plan would take place in December and January when views would be sought from Management Team and the Audit Committee.

The Internal Audit Manager/Assistant Director, Resources responded to questions and comments from the Committee in relation to:

- Substantial assurance level given to the Economic and Development Audit Report. In view of the comments made by the committee, the Internal Audit Manager undertook to look at the concerns raised and present an update to a future meeting to Councillor Morley.
- Purpose and role of the Internal Audit Team.
- Town Investment Plan and Borough Council underwriting projects. The Assistant Director, Resources explained that there was a requirement for a detailed business case to be prepared as part of the submission of the application.
- Guildhall and importance of legal advice being obtained prior to a decision being taken. The Assistant Director, Resources advised that to date no Cabinet decision had been made on how to fund this commitment and it would be necessary for the proposal to go through the democratic decision making process.

- Role of the Officer Member Major Projects Board, Member Major Projects Board and the audit function.
- Criteria for appointing consultants.

Appendix 1 – Progress in completing the Agreed Audit Work

- Number of days delivered against the plan and any required actions taken for problems identified.
- Covid-19 business grants.
- Play areas – replace word cancelled with defer.
- ICT wireless networks.
- Key Recommendations - consider a full review of brochures, guides and leaflets the Council produced for tourism purposes and invest into the continued growth of the digital tech platforms to promote West Norfolk to a wider audience.

Following comments from the Committee, the Internal Audit Manager advised that notes had been taken on the issues raised by Members and consider these for planning discussions starting in December 2021 – January 2022.

The Chair thanked the Internal Audit Manager for the half-year progress report.

RESOLVED: The Audit Committee received and noted the Progress Report on Internal Audit Activity.

A51 **FRAUD AND CORRUPTION HALF YEAR PROGRESS REPORT 2021/2022**

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The Senior Internal Auditor explained that the report aimed to provide Members with an update on total fraud and error detected in respect of applications and claims received by the Council, debtor tracing activities and progress on National Fraud Initiative (NFI), FraudHub and Single Person Discount exercises/projects currently being undertaken for the period April 2021 to September 2021.

The Committee was informed that the report also provided details of the Council's RIPA activities (for the period 2020/21) and set out the pipeline of upcoming projects and anti-fraud and anti-corruption related activities that would be undertaken/ progressed in the second half of the year and beyond.

The Senior Internal Auditor outlined the key issues set out in the report.

The Senior Internal Auditor responded to questions in relation to:

- Comparison of number of fraud cases detected for the current financial year with the previous year.
- Overall performance and likelihood of number of fraud and error cases rising since the previous year. The report only covered the half year progress report and it was explained that there were a number of factors, but that the Internal Audit Team was currently working through the cases, together with data matching exercises and the single persons discount project with Norfolk County Council.
- Consultancy engagement with the Revenues dept for business grants and recently finalised a report which identified a total of 42 different types of risks relating to the schemes within the first national lockdown end of March to September 2020. A number of cases required further checks. It was noted that the Revenues and Benefits Manager had submitted a claim to Central Government for the additional work undertaken.
- Total number of cases pursued compared that the national figures.
- Criteria used to identify a fraud suspect – business or individual.
- Tools/criteria used by the council to check payment of business grants during the Pandemic to provide assurance.

In response to questions regarding investigation of fraud comparisons with other Norfolk Authorities and other councils outside of Norfolk, the Senior Internal Auditor undertook to look at the other Norfolk District Councils and councils outside of the Borough and circulate the information to the Audit Committee as soon as practicably possible.

The Chair thanked the Senior Internal Auditor for the half-year progress report.

RESOLVED: The Committee noted the update report on the anti-fraud and anti-corruption work.

A52 **PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) REVIEW INTERNAL AUDIT FUNCTION**

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In presenting the report, the Internal Audit Manager explained that she had carried out an assessment of the Internal Audit function against the Public Sector Internal Audit Standards (PSIAS) to highlight any areas where improvements may be required. The exercise was necessary for the Internal Audit Manager to determine how much reliance can be placed on the assurances coming from the function, which will be used to determine the annual opinion on the Governance, Risk Management and Control at the Council.

The Internal Audit Manager outlined the key issues, current position and any suggested improvements in the report circulated with the Agenda.

The Internal Audit Manager explained that the identified areas would continue to be evaluated and risk assessed and if it became apparent it was necessary to undertake work on a specific area, a report would be presented to the Audit Committee.

With regard to Follow Up Audits, the Internal Audit Manager explained that currently the committee did not receive information on outstanding recommendations/deadlines, therefore going forward a paper would be presented to each meeting of the committee highlighting any action required.

The Internal Audit Manager/Financial Services Manager responded to questions in relation to:

- ICT Wireless Networks – it was explained that a review of network security should be rescheduled with dedicated IT resources. The committee was informed that the council would need to obtain specialist IT skills and the available options were outlined to provide the council with assurance in relation to IT risks.
- Asset Register – it was explained that the audit had been deferred to 2022/2023 following a discussion with Management Team. It was noted that work had been undertaken with Finance and Property Services and were currently looking at a revised approach for the 2020/2021 Statement of Accounts.
- Importance of keeping Internal Plan together to understand how it related to the corporate risk register. It was explained that this was work in progress.
- Appendix 2 – follow up audits being all graded as substantial. It was explained that the appendix represented audits which had outstanding recommendations.
- Gradings/assurance given when completing an audit. It was noted that a review was currently being undertaken.
- Number of days allocated to Alive West Norfolk, comparison of tables in this report and the internal audit half year progress report.

Councillor Morley stated with regard to the summary of recommendations 5 and 6 he would like to see a separate paper and early as possible prior to the 2022/2023 financial year what the risk profile looked like. In response, the Internal Audit Manager provided an overview on how the corporate risk register would feed into the internal audit plan and if required build in improvements which would be a separate piece of work to be undertaken.

Councillor Collingham commented that it would be useful for the Committee to be presented with a summary which contained

information on what the whole process entailed what it sought to achieve and headline information.

The Chair thanked the Internal Audit Manager for presenting the report.

RESOLVED: The Audit Committee considered the findings within the attached report and endorsed the improvements where appropriate.

A53 **FUTURE OF THE AUDIT COMMITTEE CROSS PARTY WORKING GROUP - REPORT TO FOLLOW**

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The Chair advised that the Monitoring Officer was unable to attend this meeting and the report would therefore be deferred to the next meeting scheduled for 13 January 2022.

A54 **TREASURY OUTTURN REPORT 2019/2020 AND 2020/2021**

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Prior to presenting the report for 2019/2020, the Financial Services Manager advised of the following error:

- 5.8 – table, column headed 31 March 2020 Actual - £22,885 should be in brackets.

The Financial Services Manager presented the reports for 2019/2020 and 2020/2021 which had been circulated with the Agenda.

The Financial Services Manager responded to questions in relation to:

2019/2020 report

- 7.1 – Investment Strategy and control of interest rate risk. Members were informed that the council received advice from the Treasury advisers, Link.
- 9.3 – Resources as at 31 March 2020.
- 9.4 – Investments and the average rate of return to the council.

Councillor Ryves commented that he would like to see a statement to reconcile the return on investments. In response, the Financial Services Manager explained that the council had a list in excess of 30 investors within the last 12 months and each one provided a different rate of return and advised that this information could be added to the investments held by the Council.

2020/2021 report

- Return on investments – it was explained that this was revenue budget.
- Capital Expenditure.
- Capital Financing Requirement.
- 5.11 Actual financing costs as a proportion of net revenue stream, including return on investments compared to income stream.

The Chair thanked the Financial Services Manager for presenting the 2019/2020 and 2020/2021 reports.

RESOLVED: The Audit Committee noted the annual treasury outturn position for 2019/2020 and 2020/21.

A55 **APPOINTMENT OF EXTERNAL AUDITOR**

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The Financial Services Manager presented the report which set out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/2024.

The key issues and options considered were outlined as set out in the report.

The Financial Services Manager and Assistant Director, Resources responded to questions in relation to:

- Option for the Borough Council to independently source its own external auditor.
- National scale of audit fees
- Benefits of the Council accepting the Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors. It was noted that 98% of councils signed up to the PSAA in the previous tender process.

In response to questions from Councillor Ryves regarding the current external auditors being appointed as the Council's external auditors for the five-year period from 2023/2024, the Financial Services Manager explained that this was not guaranteed. The Assistant Director, Resources explained that PSAA tried to geographically align auditors for specific areas and gave an example of Ernst Young appointed to Norfolk. The Committee was informed of the efficiencies and economies of scale of the current Norfolk arrangement with regard to the Pension Scheme.

The Chair thanked the Financial Services Manager and Assistant Director, Resources for presenting the report and responding to questions from the Committee.

RESOLVED: The Audit Committee recommended that Council accepted Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

A56 **BUDGET MONITORING REPORT - AUGUST 2021**

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The Financial Services Manager presented the Budget Monitoring Report for August 2021 and highlighted the following sections of the report:

The Financial Services Manager and Assistant Director, Resources responded to questions in relation to the Pay Award and future monitoring. The Committee was advised that when the report was written the local pay award had not been taken into account due to delays in agreement of the national pay award had not been agreed. Members were informed of the time difference between the national pay award and the local agreement and whilst the council operated a local agreement, it does take into consideration outcomes of the national agreement.

The Chair thanked the Financial Services Manager and Assistant Director, Resources for the budget monitoring report and responded to questions from the Committee.

RESOLVED: The Committee noted the Budget Monitoring Report for August 2021.

A57 **CABINET FORWARD DECISIONS LIST**

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The Committee noted the Cabinet Forward Decisions List.

A58 **COMMITTEE WORK PROGRAMME 2021/2022**

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The Assistant Director, Resources informed the Committee that the external auditors continued to undertake the audit for the Statement of Accounts 2019/2020 and had planned a three week period to undertake this work but had been unable to conclude the audit due to resource issues. It was highlighted that resource had now been scheduled to complete the required work prior to Christmas, the Committee was therefore advised that it was unlikely that the final

Statement of Accounts for 2019/2020 would be presented to the January meeting.

A59 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 13 January 2022 at 4.30 pm in the Assembly Room, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 5.20 pm

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	28 February 2022		
TITLE:	Risk Management Policy and Strategy review		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Ged Greaves, Corporate Performance Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
The council's risk management policy and strategy are due to be refreshed in March 2022. This report introduces a draft framework and seeks members' comments. A final version will be presented to the Committee to take forward to Cabinet.
KEY ISSUES:
The current policy (Appendix A) states the council's commitment to managing risk in a positive manner. It is recognised that in order to achieve the council's objectives it is necessary to take risks and that these need to be identified, understood and managed accordingly. The risk appetite is defined in the policy as 'open' which means that the council is 'prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk'. The current strategy (Appendix B) describes the approach to be carried out in practice. It explains how risks will be identified, analysed, managed and monitored. The strategy sets out criteria to be used for deciding the potential impact of a risk and the appropriate levels of action to be taken for the different risk categories. The strategy has been updated to reflect changes in staffing and practice that have taken place since the last review in 2019. It is proposed to increase the frequency of reviewing the register from twice to three times per year, to rationalise the register from the current 40 risks to 13 strategic risks with the related addition of risks within directorate plans.
OPTIONS CONSIDERED:
These are detailed in the report.
RECOMMENDATIONS:
Members are requested to consider the draft.
REASONS FOR RECOMMENDATIONS:
In order to ensure the Council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'.

1. Background

1.1 The Risk Management Policy and Strategy are reviewed every three years and the current versions were approved by Cabinet in March 2019. The policy and strategy framework are therefore due to be reviewed by March 2022.

2. Facts/Issues

2.1 There is no specific "standard" set for risk management in local government and the council's approach is based on sector best practice including the International Standard in Risk Management ISO: 31000 and guidance from organisations such as Alarm (Association of Local Authority Risk Managers), the Public Sector Risk Management Association, and the Institute of Risk Management.

3. Proposals

3.1 Risk appetite

3.1.1 The council's risk appetite is set out in the risk management policy and strategy and is approved by Cabinet. This was last considered during the policy and strategy refresh in January 2019. At that time, "open" was selected as the most appropriate rating from the following options:

Averse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

3.1.2 It is recognised that a certain amount of risk is inherent in all of our activities and that it can be a positive driver in the development of the services we provide and our approach to investment. In order to mitigate ongoing financial challenges, the council's approach includes a cost reduction programme, a capital and investment strategy and consideration of different delivery models. It is proposed to continue with the current appetite of "open".

3.1.3 To facilitate the delivery of the proposed risk appetite, the risk management strategy sets out an approach for risks that are assessed as 'high' or 'very high' i.e. above a tolerable level. These are those risks that fall within the orange and red sections of the matrix.

3.1.4 It is proposed to maintain the risk appetite as "open".

3.2 Inherent and target risk scores

3.2.1 Our approach to the corporate risk register includes the following scores:

- inherent risk (before any mitigation)
- current risk (with current mitigation)
- target risk (desired risk reflecting our tolerance)

3.2.2 Periodic reviews of the corporate risk register identify where risks have been mitigated to the extent that they can be removed from the register. Application of a target risk score helps to “declutter” the corporate risk register.

3.2.3 Although the inherent and target risk scores can cause confusion and make the risk register complicated to read they do provide information about the extent of the risk.

3.2.4 It is proposed to retain the inherent and target risk scores on the risk register.

3.3 Risk matrix

3.3.1 A risk matrix is used to evaluate the risks so that there is an understanding of the exposure faced by the council, which in turn influences the type of response we choose and if we decide to treat the risk, the level of treatment that should be applied to manage/reduce/prevent the risk from occurring.

3.3.2 The council uses a risk matrix, based upon common practice in the public sector. It is based upon a 5x5 matrix of likelihood and impact. Likelihood represents the probability of an event taking place. The likelihood of events are categorised into five broad headings: rare, unlikely, possible, likely and almost certain. Impact represents the expected disruption to the council. These are categorised as: insignificant, minor, moderate, major and extreme.

3.3.3 Some councils have adopted a 4x4 matrix. Every form of risk matrix has its advantages and disadvantages and there is no “one size fits all” approach. Compared with a 4x4 matrix, the council’s current approach will provide more granularity as to the level of risk. This is useful for prioritizing risks and developing mitigation measures.

3.3.4 It is proposed to continue with the current 5x5 matrix.

3.4 Risk criteria

3.4.1 The criteria to be used for deciding the potential impact of a risk were revised in 2016. The last review introduced new criteria for ‘impact on service’ and ‘legal and statutory’. The criteria are:

- Impact on service
- Personal safety
- Financial loss
- Legal and regulatory

- Corporate objective
- Environmental impact
- Reputation

3.4.2 The values for the 'financial loss' criteria were extended to include a percentage of budget as well as a fixed value. This was to enable the criteria to be applied to service and project risks as well as the corporate risks.

3.4.3 Given its importance, it is proposed to add climate change as an impact criterion.

3.5 Risk management policy and strategy scope

3.5.1 Our current risk management framework refers to risks in the following areas:

- Strategic and Corporate
- Service
- Operational
- Capital projects
- Council owned companies

3.5.2 Risk management is also undertaken in other aspects of our activities including:

- *Health and safety* - A significant risk for the council and is covered by our Health, Safety and General Welfare Policy.
- *Tackling fraud and corruption* – This is an increasing area of council activity. Internal Audit will be developing a Fraud and Corruption Risk Register. This will support the mitigation measures for the current corporate risk.

3.5.3 The strategy references and defines the control environment for these as follows:

6. Capital project risks

6.1 A risk register will be maintained for capital projects managed by Property Services.

7.10 Internal Audit

7.10.3 The council's Fraud and Corruption Risk Register is maintained by Internal Audit. This forms part of the internal control environment and mitigation measures.

7.11 Health and safety risk management

7.11.1 The ongoing management of these types of risks is covered by the council's Health, Safety and Welfare General Policy.

7.11.2 Each directorate is responsible for undertaking their own annual risk assessments with support from the Corporate Health and Safety Group.

3.5.4 It is proposed to include Major Housing Projects in the policy/strategy section referring to "Capital Project risks".

3.6 Rationalising the risk register

3.6.1 The Corporate Risk Register includes 40 risks. These are assigned to executive directors/assistant directors who are responsible for monitoring and reviewing the risks and ensuring appropriate mitigation measures are in place.

3.6.2 Discussions with Management Team have highlighted opportunities to refocus and group related risks to form a more focused risk register. The rationalisation of risks could use a set of guiding principles as below:

Category	Key characteristics	Recorded
Strategic An event or occurrence that would cause the council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing.	• Directly affecting the future direction of the council's business plan and key objectives. • Identified by senior management team and heads of service with the assistance of corporate governance roles such as policy and internal audit. • Typically between 8 and 12 risks in total.	Corporate risk register
Corporate An event or occurrence that would lead to a significant adverse effect on the council's ability to provide important public services	• Directly linked to the critical activities, services and programmes carried out in order to facilitate the delivery of the council's business plan. • Identified by service managers, project managers, officers, partnership leads, internal / external audit, members.	Corporate risk register
Operational An event or occurrence arising from inadequate or failed internal processes, people and systems, or from external events leading to an adverse impact on service provision.	• Directly linked to the activities, services and projects carried out in order to facilitate the delivery of the council's business plan. • Identified by heads of service, project managers, officers, partnership leads, internal and external Audit, members. • Influence the day-to-day or project activities of the Council	Directorate/service/project plans. See section 3.7 and 3.8 of the report

3.6.3 Appendix C shows how our current risks could be rationalised.

3.6.7 Management Team were supportive of a move towards strategic risks that are reviewed three times per year rather than six monthly and this could be incorporated into the draft policy/strategy.

3.6.8 It is proposed that the rationalised corporate risk register is reviewed three times per year.

3.7 Risk management of projects

3.7.1 The current risk management strategy refers to roles and responsibilities. Project managers are identified and references are made to project risk registers. These registers are not collated corporately and the onus is on project managers to notify relevant Executive Directors of significant risks and review risks.

3.7.2 Property Services and Major Housing Projects will have in place a risk register for each approved capital project.

3.7.3 A risk register has been developed for the West Winch Growth Area and this is reported to the West Winch Project Board and Officer Major Project Board.

3.7.4 Governance processes related to the Towns Fund are developing and risk is incorporated into documents presented to the Town Deal Board and Programme Board.

3.7.5 The Member Major Project Board role includes the oversight and monitoring of the delivery of the programme of Major Projects. The Board will make recommendations to Cabinet and could inform Policy Review and Development Panels and other committees. Its oversight will cover several of the project risks included on the corporate risk register for example West Winch, the Accelerated Construction Programme, Major Housing Projects, regeneration projects such as the South Gate area and the Town Deal. As part of the rationalisation of the corporate risk register these projects could be replaced by a high level programme risk on the corporate risk register.

3.8 Operational risks

3.8.1 Prior to Covid-19 disrupting service planning, one service had tested the development of a risk register to accompany its service plan. Management Team has agreed to include risk registers within the directorate plans being developed to underpin the Corporate Business Plan.

3.8.2 Some of the current corporate risk risks may be more appropriately recorded at directorate level. Directorate level risk plans will therefore assist in the rationalization of the corporate risk register.

3.8.3 In terms of risk reporting, it is possible to create a reporting process where Audit Committee would receive an update on the corporate risk register with an added section in the report to identify the high scoring risks from each directorate plan thereby providing additional assurance that they are being managed.

3.8.4 It is proposed to add the inclusion of risk registers at directorate level to the policy/strategy.

3.9 Risk actions

3.9.1 The “progress” column of the risk register encourages a narrative type of comment to be included. The risk register could be further enhanced with more clearly defined

risk actions and members may have noted actions have been logged in the latest version of the register.

3.9.2 It is proposed to update the policy/strategy to reflect the inclusion of risk actions within the risk register.

3.10 Frequency of reporting

3.10.1 The risk management strategy states that the risk register is reviewed on a six monthly basis and reported to Audit Committee. Members of the committee have expressed a desire to increase the frequency of reviews in order for the risk review to become a driver for change rather than a record of mitigation activities.

3.10.2 Given capacity pressures, a rationalised corporate risk register will facilitate an increase in the frequency of the review and related reports to Management Team and Audit Committee. Management Team have proposed a move to 3 reviews per year.

3.10.3 It is proposed to update the policy/strategy to specify the register will be reviewed three times per year.

3.11 Cabinet report templates

3.11.1 The final element of the council's approach to risk management is inclusion of risk within the templates for reports to members.

3.11.2 This is not reflected within the current policy or strategy. Report authors are encouraged to refer to the corporate risk register and related project risk registers in the "risk management" section of the Cabinet report template. Consideration should also be given to additional risks related to health and safety and fraud and corruption and liaise with the appropriate officers whilst preparing the report. Key issues and mitigation should be referred to within the report.

3.11.3 It is proposed to emphasise this in the policy/strategy and encourage the practice of cross-referencing of comments within Cabinet reports to the corporate risk register within officer training.

3.12 Risk management training

3.12.1 When the new policy and strategy are approved, appropriate training will be developed and rolled out including training for members.

4.0 Corporate Priorities

4.1 The risk management process supports the delivery of corporate priorities.

5.0 Policy Implications

5.1 The report seeks to refresh existing policy and strategy.

6.0 Financial Implications

6.1 None.

7.0 Personnel Implications

7.1 None.

8.0 Environmental Implications

8.1 Climate change has been proposed for inclusion as a new risk criteria in the risk management strategy. Following the approval of a climate change strategy and action plan, there is a specific corporate risk of the council failing to meet its carbon emission target. There are additional related corporate risks such as business continuity and flood management and coastal erosion.

9.0 Statutory Considerations

9.1 Account and Audit Regulations 2015 - s3(c). The Council must ensure that it has 'effective arrangements for the management of risk'.

10.0 Equality Opportunity Considerations

10.1 None

11.0 Risk Management Implications

11.1 The Council has in place a Risk Management Policy and an associated Risk Management Strategy that were approved in March 2019.

11.2 The Corporate Risk Register records high level risks which pose a threat or opportunity to the Council's objectives. It is a tool used by the Management Team to help manage risk within the Authority and is a key document within the governance controls applied within the Council.

12.0 Recommendations

12.1 Members are requested to consider the proposals outlined in section 3 of this report and their impact upon the policy and strategy and make comment.

13.0 Declarations of Interest / Dispensations Granted

13.1 None

Background Papers

November 2021 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy and Strategy – approved in March 2019

Appendix A – Risk Management Policy

Appendix B – Risk Management Strategy

Appendix C – Rationalised corporate risk register

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
1.2 Cost Reduction programme 1.9 VAT 1.10 Financial Plan 1.11 Pension fund 1.12 Business rates	1. Financial sustainability	Ineffective management of finances leading to a lack of financial resilience as government funding reduces and demand increases.	Set a Medium-Term Financial Strategy to fund council services by a prudent mix of investment, services and tax income, while maintaining adequate reserves.
2.3 Major housing developments 2.8 Accelerated Construction Programme 2.9 Major projects programme 2.7 West Winch/North Runcton Strategic Growth Area	2. Significant programmes/ projects	Impact on the delivery of council services due to the failure of major programmes/projects. A major programme/project being any project that can cause significant financial, legal, reputational or compliance issues or prevent the council from delivering a strategic priority or key objective.	Develop our town centres and the rural offering; recognised as great places to live, visit and invest into. Deliver on our commitment to be carbon neutral by 2035, or earlier, by implementing the council's carbon reduction strategy and encourage and collaborate with our partners, communities and local businesses to reduce their environmental impact.
2.1 Local employment 2.2 Empty retail properties/town centre decline 2.4 5 year land supply, housing delivery and housing delivery test 2.5 Housing market	3. Facilitating and enabling growth	The inability of the council to facilitate and enable the market to deliver the council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore	Develop our town centres and the rural offering; recognised as great places to live, visit and invest into

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
2.6 Strategic land and property acquisition 5.3 Improvements to heritage buildings		impacting on communities and businesses.	
5.1 Community relations 4.1 Modern slavery 4.2 Homelessness Reduction Act 2017 4.3 New regulations regarding HMOs 1.18 Conflicting aims (with partners) 1.20 Covid-19	4. Community issues	The risk of various communities within the borough feeling excluded, disengaged or being unable to access available services and opportunities including, rural, deprived, minority and vulnerable communities and local businesses etc. Services and opportunities to include health and wellbeing, early intervention and prevention. Immediate and longer term economic and societal impact of Covid-19 global pandemic on BCKLWN communities.	Develop and increase the range and effectiveness of the Council's approach to communicating and engaging with employees, businesses, local communities and visitors. Be attentive to our customer and community needs. Assist our residents to maximise their opportunities by accessing the support and services they are entitled to.
1.1 Business continuity 6.2 Emergency response (external)	5. Continuity of service	The council's ability to effectively respond to a major emergency and maintain that response without affecting essential day to day service delivery. The risk is to both the council as a business continuity issue and to our vulnerable communities.	Be attentive to our customer and community needs.

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
1.5 Loss of ICT 1.6 ICT failure of back up 1.14 Cyber security attack	6. Data management and security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of information governance legislation.	Be attentive to our customer and community needs.
1.4 Due diligence 1.8 Fraud and corruption 1.16 GDPR 1.17 Financial Ledger software replacement	7. Corporate Governance	The risk of failures in systems of governance within the council, within council owned/influenced organisations and partnerships and other collaboration arrangements, leading to governance issues, fraud and corruption, failures in management systems, poor policy and decision making.	Set a Medium-Term Financial Strategy to fund council services by a prudent mix of investment, services and tax income, while maintaining adequate reserves.
1.3 Reputation management 5.2 Council reputation	8. Reputation management	The risk that the council's reputation is damaged by major service failure, failure to respond to a significant incident(s), governance issues, dispute with a key partner, failure to deliver corporate business plan.	Develop and increase the range and effectiveness of the Council's approach to communicating and engaging with employees, businesses, local communities and visitors. Target littering and fly-tipping. Maintain standards for open and green spaces. Work with our partners to improve

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
			community cohesion and reduce crime, the fear of crime and anti-social behaviour.
1.7 Capacity 1.13 Channel shift 1.15 Pay policy	9. Organisational change	Ensuring that the council, its members and its workforce have the skills, resources, ability and capacity to adequately respond to current and future organisational change meaning the council is able to deliver its services in the most efficient and effective manner.	Be attentive to our customer and community needs.
3.1 Flood management and coastal erosion 3.2 Carbon emissions	10. Climate change mitigation and adaptation	Inability to mitigate and adapt to climate change - increased coastal erosion and flooding and failure to meet net zero target with consequent reputational issues.	Deliver on our commitment to be carbon neutral by 2035, or earlier, by implementing the council's carbon reduction strategy and encourage and collaborate with our partners, communities and local businesses to reduce their environmental impact.
6.3 Health and Safety. *Broadened scope of risk plus other statutory duties.*	11. Statutory compliance	Implementation and maintenance of statutory compliance management systems. E.g. health and safety, service related legal obligations.	Corporate risk
6.1 Provision of leisure and cultural services. *Broadened scope of risk*	12. Council owned companies	Managing performance, finances, liabilities and the relationship between the Council and its wholly owned companies in accordance with the governance	Improve and develop the quality of local sport and leisure facilities. Set a Medium-Term Financial Strategy to fund council services by

Existing Corporate Risk Register item	Proposed new rationalised risk	Description of strategic risk	Link to Corporate Business Plan Objectives
		agreements.	a prudent mix of investment, services and tax income, while maintaining adequate reserves.
1.19 Mobilisation of new Waste and Recycling Contract. *Broadened scope of risk*	13. Contract/Supply failure	Managing contracts with key suppliers to ensure the continued delivery of an effective service and ensure delivery of the council's priorities and objectives.	Be attentive to our customer and community needs.

Borough Council of
King's Lynn &
West Norfolk

Risk Management Policy

Contents Page

1. Introduction

1.1 Given the wide range of activities undertaken by the council, we face a wide variety of risks including physical risks to people or property, financial loss, failure of service delivery, corporate governance and damage to reputation.

1.2 Effective risk management is a key tool in assisting the council to manage uncertainty in order to enable it to better achieve its corporate business plan. Risk management is intended to be a planned and systematic approach to the identification, assessment and management of the risks facing the council. It is essential that steps are taken to effectively manage those risks. Risk management supports innovative solutions as it carefully considers the benefits, alongside the risks, that may occur.

1.3 Insurance is a traditional way of protecting against some risks. However, not all risks can be insured against and other approaches are needed. Insurance has a direct cost and given financial challenges facing local government action taken to reduce risks can help minimise premiums and disruption to services.

2. Definitions

2.1 Risk can be defined as '*an uncertain event or set of events which, should it occur, will have an effect upon the achievement of objectives'*.

2.2 Risk management can be defined as '*the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling or responding to them'*.

2.3 Risk appetite is '*the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives'*.

3. Policy statement

3.1 It is the council's policy to proactively identify, understand, manage and review the risks involved in service delivery and associated with our plans and strategies, so as to encourage responsible and informed decision making.

3.2 The council's business plan sets out its objectives. The risk management approach described in this policy is key to identifying, assessing, mitigating, managing and reviewing risks to the achievement of the council's objectives.

3.3 This policy/strategy will be reviewed every three years, or earlier in the light of new guidance, to ensure it remains relevant to the needs of the council. The next review will take place no later than March 2022.

4. Scope

4.1 The policy covers risks that could prevent the achievement of the council's corporate business plan. It does not cover health, safety and general welfare related risks and responsibilities which follow from legislation such as the Health and Safety at Work Act 1974. This is covered by the council's Health, Safety and General Welfare Policy.

5. Aims

5.1 The purpose of this Risk Management Policy is to state the council's risk management objectives and approach. The processes required to implement this policy are contained in the Risk Management Strategy.

6. Objectives

6.1 The purpose of risk management is to:

- Improve performance
- Promote a risk aware culture to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the council
- Promote corporate governance by integrating risk management and internal control
- Preserve and protect the council's assets, reputation and staff.

6.2 To achieve these objectives, the council will develop a systematic and consistent risk management approach that will:

- Implement effective risk management as a key element of good governance and rigorous performance management.
- Consider risk is an integral part of corporate and business planning and service delivery.
- Encourage considered and responsible risk taking as a legitimate response to opportunity and uncertainty.
- Achieve better outcomes for the council through a more realistic assessment of the challenges faced, through improved decision-making and targeted risk mitigation and control.
- Engender, reinforce and replicate good practice in risk management.

7. Benefits of risk management

7.1 Effective risk management delivers benefits to individual services and the council as a whole. The key benefits include:

- A better, more informed, decision making process
- The ability to manage the process of achieving objectives.

7.2 By delivering enhanced risk management practice and adhering to the Risk Management Strategy, the following additional benefits can be realised:

- Increased likelihood of achieving the council's objectives
- More robust assessment of opportunities
- Improved business planning through risk based decision making
- Improved governance and controls
- Enhanced stakeholder confidence and trust
- Enhanced performance through an integrated approach
- Effective allocation and use of resources
- Improved organisational resilience

8. Legal framework and relevant legislation

8.1 Risk management is an integral part of internal control, and for local government a statutory requirement, defined in the Audit & Accounts Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. Paragraph (1) of Regulation 4 (responsibility for financial management) states:

'The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'

8.2 Regulation 6 requires relevant bodies to conduct an annual review of the effectiveness of their system of internal audit. CIPFA's guidance on the Review of the System of Internal Audit, published in January 2009, defines the system of internal audit as:

'The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation.'

8.3 Risk management represents a part of the governance arrangements which are required to be reported on in the annual governance statement incorporated in the council's annual statement of accounts.

8.4 In addition to the above requirements there are several other specific duties that the council is obliged to observe including, as examples, responsibilities arising from the Civil Contingencies Act 2004, Health and Safety at Work Act 1974 and equality impact assessments under the Equality Act 2010.

9. Roles and responsibilities

9.1 Risk management is all inclusive and every employee and member has a role to play. Specific roles and responsibilities are defined in the Risk Management Strategy.

10. Risk management approach

10.1 To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities. The council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt, and uses appropriate expertise.

10.2 Risk management has to be proactive to ensure that corporate and operational risks are:

- Identified
- Assessed by considering the impacts and likelihoods of their occurrence
- Effectively managed by identifying suitable controls and countermeasures, and assessing the mitigating actions proposed
- Reviewing progress and emerging issues.

10.3 Effective risk management anticipates and avoids risks rather than dealing with the consequences of events happening.

11. Risk appetite

11.1 Risk appetite refers to the council's attitude towards risk, which in turn dictates the amount of risk that it considers acceptable.

11.2 The council recognises that it must take risks. Indeed, only by taking risks can it achieve its aims and deliver beneficial outcomes to its customers. It must, however, take risks in a controlled manner, thus reducing its exposure to a level deemed acceptable by the council and by relevant auditors, regulators and inspectors.

11.3 Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources, especially when it is to achieve substantial benefit. Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the council, may be taken providing the risk exposure is within the council's 'risk tolerance' levels, these are defined as:

11.4 *Acceptable risks* – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable. Particular care is needed in considering actions that could:

- Have an adverse effect on the council's reputation and/ or performance
- Undermine the independent and objective review of activities
- Result in censure or fines being imposed by regulatory bodies
- Result in financial loss.

11.5 Any threat or opportunity that could have a significant impact on the council's reputation or its services must be closely examined, and all risks clearly evaluated and referred to the appropriate executive director. Where there is risk that could potentially have a corporate impact on the council, it must be considered by Management Team.

11.6 *Prohibited risks* – risks are not acceptable where they could result in physical harm; non-compliance with legislation or government regulations; or non-compliance with council policy, rules and procedures. Therefore any opportunity or innovative approach that may result in such outcomes must not be pursued.

11.7 The organisation's current overall risk appetite is defined as 'open':

Open	*The council is prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk*.

12. Risk management training

12.1 Risk management training will be provided to relevant officers with the aim of ensuring that they have the skills necessary to identify, appraise and control the risks associated with the services they provide and projects that they manage. Elected members will receive training on risk so that they can consider the implications of risk whilst engaged with council activities.

13. Health implications

13.1. The strategy is a key part of the council's governance framework and will contribute towards wider health policies through mitigation measures.

14. Equalities implications

14.1 The policy is considered to have no equalities implications.

15. Reference documents

15.1 The policy provides direction to the council's Risk Management Strategy.

16. Additional information or resources

16.1 The related Risk Management Strategy and Strategic and Corporate Risk Register can be found in the risk management section of InSite.

16.2 Further information can be obtained from Policy and Performance.

17. Implementation/distribution

17.1 The policy will be distributed to senior managers and to all staff and members via Internal Affairs, the Members Bulletin and InSite.

Signed: _____ Ray Harding, Chief Executive

Date: _____

Signed: _____ Cllr B Long, Leader

Date: _____

Version control

Policy name	Risk management policy			
Policy description	The risk management approach described in this policy is key to identifying, assessing, mitigating, managing and reviewing risks to the achievement of the council's objectives.			
Responsible Officer	Ged Greaves, Senior Policy and Performance Officer			
Version number	Date formally approved	Reason for update	Author	Review date
1	March 2016	Refresh	K. Littlewood	March 2019
2	26 March 2019	Planned refresh	G. Greaves	March 2022

Borough Council of
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Risk Management Strategy

Contents page

1. Introduction

1.1 Risk management can be defined as '*the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling or responding to them'*.

1.2 The council's risk management objectives and approach are stated in the Risk Management Policy. This strategy explains the processes required to implement the policy and provides simple templates designed to evaluate the effect of a risk.

1.3 The purpose of risk management is to:

- Improve performance
- Promote a risk aware culture to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the council
- Promote corporate governance by integrating risk management and internal control
- Preserve and protect the council's assets, reputation and staff.

1.4 This policy/strategy will be reviewed every three years, or earlier in the light of new guidance, to ensure it remains relevant to the needs of the council. The next review will take place no later than March 2022.

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2.1 Risk management is an integral part of internal control, and for local government a statutory requirement, defined in the Audit & Accounts Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. Paragraph (1) of Regulation 4 (responsibility for financial management) states:

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properly identified and are being managed by controls that are adequately designed and effective in operation.'

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3. Process of managing the risk

3.1 Risk management overview

3.1.1 Risk management consists of initially defining the risk appetite and then applying four basic processes:

1. Identifying risks
2. Evaluating
3. Minimising, controlling and responding
4. Monitoring and reporting

3.2 Risk appetite

3.2.1 This is '*the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives'*. The council's risk appetite is defined in the Risk Management Policy as '*open*', which means that the council is '*prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk'*.

3.3 Identify the risk

3.3.1 The purpose of this stage is to identify anything that might affect the achievement of the council's objectives and assess what that effect might be. The question to ask is 'What might possibly present itself in the course of delivering the objectives, which has the capacity to threaten or improve the success?' Once identified, the extent to which it might affect the objectives needs to be considered.

3.3.2 A number of approaches are taken to identify risks to the council at the earliest opportunity and ensure that they are managed from a very early stage. These include:

- Regular monitoring of the Corporate Business Plan.

- Regular monitoring of committee and performance monitoring reports.
- Regular reviews by Management Team to ensure all strategic and corporate risks have been recorded on the Strategic and Corporate Risk Register and accurately assessed.
- Annual reviews to ensure operational risks have been recorded in service plans.
- Robust processes at the commencement of projects, particularly major ones, and ongoing monitoring.
- Use of Internal Audit and peer reviews.
- Horizon scanning informed by professional and advisory bodies such as the Local Government Association.

3.4 Evaluate the risk

3.4.1 This stage develops a greater understanding of each risk, its impact and the likelihood of those consequences. It provides an input to risk evaluation and to decisions on how risk will be managed.

3.4.2 The categories for likelihood and impact are shown below.

<u>Likelihood</u>

Score	**Definition**
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event could, but is not expected to, occur
3 – Possible	The event might occur at some time
4 – Likely	The event will probably occur in most circumstances
5 – Almost Certain	The event is expected to occur in most circumstances

Impact

Score	Impact on service	Personal safety	Financial loss	Legal and Regulatory	Corporate objective	Environmental impact	Reputation
1	Little	No injury	<£25,000 or 1% of budget	Minor civil litigation or regulatory criticism	No effect on delivery	None or insignificant	No damage
2	Some	Minor injury	>£25,000 or >2.5% of budget	Minor regulatory enforcement	Little effect on delivery	Minor damage	Minimal damage (minimal coverage in local press)
3	Significant	Violence or threat of serious injury	>£175,000 or >5% of budget	Major civil litigation and/or public enquiry	Possible impact on delivery	Moderate damage	Significant coverage in local press
4	Service not available for 2-7 days	Extensive or multiple injuries	>£500,000 or >10% of budget	Major civil litigation and/or national public enquiry.	Significant impact on delivery	Major damage	Coverage in national press
5	Service not available for >7 days	Fatality	>£1m or >15% of budget	Section 151 or government intervention or criminal charges	Non delivery	Significant damage locally or nationally	Requires resignation of Chief Exec, Exec Director or Leader

3.4.3 Apply the definitions of likelihood and impact to establish the risk score and rating using the risk matrix below. This will determine what level of action is required and who by.

Risk Category	How the risk should be managed
Very High Risk (15 – 25) (Red)	Immediate action required. Senior management must be involved.
High Risk (10 – 12) (Orange)	Senior management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures. Responsibility to be allocated by Management Team to a named service manager.
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

Risk matrix

LIKELIHOOD					
5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
4 Likely		(8) (Green)	(12) (Orange)	(16) (Red)	(20) (Red)
3 Possible		(6) (Green)	(9) (Green)	(12) (Orange)	(15) (Red)
2 Unlikely			(6) (Green)	(8) (Green)	(10) (Orange)
1 Rare					(5) (Green)
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme

IMPACT

For example, a risk that is 'likely' to occur, and has a 'minor' impact will score 4 x 2 = 8 which is a 'medium' risk.

3.5 Minimising, controlling and responding

3.5.1 When deciding how to manage risks, the cost effectiveness of implementing proposed controls needs to be considered. There is little benefit to be gained from pursuing a course of action if the cost of controlling a risk outweighs the benefits to be gained.

3.5.2 There are four basic ways of responding to risk:

Avoidance	Deciding not to continue or proceed with the activity in view of the level of risk involved. This may be as a result of the cost of mitigating the risk being too high, or the consequences being too adverse. (Note: statutory requirements cannot be avoided).
Transfer	Involves another party bearing or sharing the risk, a typical example being the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged).
Mitigate	Ensuring existing controls are effective by periodic review and testing, and implementing additional controls where necessary.
Acceptance	Certain risks cannot be adequately treated by any of the above. In such cases, there is no alternative but for the Council to accept the residual risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the risk register at Corporate, Service or Project level as appropriate, and subject to regular review.

3.6 Monitoring and reporting

3.6.1 Management Team reviews the Strategic and Corporate Risk Register at regular intervals to assess if any risk has increased, reduced or stopped altogether, or if new risks need to be added.

3.6.2 The Terms of Reference for the Audit Committee state that '*the purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework…',* and as such one of its functions is to '*consider the effectiveness of the council's risk management arrangements'.*

3.6.3 The committee will therefore receive regular updates on the strategic and corporate risk register and will consider the effectiveness of the Risk Management Strategy.

3.6.4 Reports to committees will include an appraisal of all associated risks and their implications. This is specified in the mandatory report template.

3.6.5 Where officers have concerns about risks they should be reported to the relevant director or Policy, Performance and Personnel. These concerns may for example include:

- Operational risks that have identified a potential strategic risk.
- Risks that have not been controlled within the pre-agreed timescales.
- Risks that have increased since initial evaluation.
- An identified risk occurs and results in failure/loss due to inadequate controls.
- Risks that may need to be moved to a new owner.
- Risks that become too unwieldy to manage at the current level.
- Risks that remain very high even after mitigations are implemented.
- Risks that impact on more than one service/project or function if the risk event materialises.
- Risks that move outside the appetite boundaries.

3.6.6 Management Team will determine whether risks move from the operational level to the strategic and corporate level.

4. <u>Strategic and corporate risk register</u>

4.1 Strategic risks

4.1.1 A strategic risk is defined as "An event or occurrence that would cause the council to be unable to operate or provide key services leading to a significant adverse effect on public wellbeing."

4.2 Corporate risks

4.2.1 A corporate risk is defined as "An event or occurrence that would lead to a significant adverse effect on the council's ability to provide important public services."

4.3 Strategic and corporate risk register

4.3.1 The Strategic and Corporate Risk Register records high level risks that pose a threat or opportunity to the council's ability to operate and deliver services that could have an adverse effect on public wellbeing and affect our ability to provide important public services or corporate business plan objectives.

4.3.2 Executive directors are responsible for identifying risks that have a strategic and corporate impact. The Senior Policy and Performance Officer should be notified of any such risk so that it can be added to the Strategic and Corporate Risk Register and included in the next review by Management Team.

4.3.3 The Strategic and Corporate Risk Register is held by the Policy and Performance Team and published on InSite. The table below sets out the format of the register and an explanation of each of the fields contained within the register:

Ref	This is a unique code for the risk.
Title	This is a brief title for the risk.
Description	This describes the vulnerabilities of the council.
Director	This is the lead officer for managing the risk.
The risk is that	This describes the consequences of the risk occurring.
Inherent risk without mitigation	This defines the likelihood, impact and resulting score for the risk without any form of mitigation or control.
Controls/mitigation	This describes the measures put in place by the council.
Current risk score	This defines the likelihood, impact and resulting score for the risk following mitigation or control.
Trend	This indicates the direction of travel of the current risk score compared with the previous 6 monthly review.
Latest update	This describes mitigation undertaken since the previous review.
Review date	This is the date of the current review.
Target risk score	This defines the likelihood, impact and resulting score for the risk that is deemed acceptable by the council following mitigation or control.

4.3.4 The register is reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks

that are no longer relevant are removed and new risks considered in the context of current circumstances are added. The risk reference numbers are not reallocated when risks are removed from the register, to enable the history to be maintained.

4.3.5 A 6-monthly overview of changes to the register is provided to the Audit Committee. Details of the 'Very High' risks are given together with a list of the 'High' risks.

4.3.6 The full register, as agreed by Management Team, is provided to the Audit Committee in hard copy, for reference.

5. Operational risks

5.1 An operational risk is defined as "An event or occurrence arising from inadequate or failed internal processes, people and systems, or from external events, leading to an adverse impact on service provision."

5.2 Operational risks should be recorded in service plans and reviewed annually.

6. Capital project risks

6.1 A risk register will be maintained for capital projects managed by Property Services.

7. Roles and responsibilities

7.1 Risk management is the responsibility of everyone. It is important that risk management becomes part of daily routines to ensure achievement of the council's objectives is not jeopardised by unrecognised risks.

7.2 All council employees and members are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks that:

- they are empowered to take
- must be avoided or reported upwards.

7.3 Members

7.3.1 The Leader of the Council is responsible for acting as lead councillor for risk management.

7.3.2 The Audit Committee has specific responsibility for the scrutiny of risk management. The committee receives the triennial review of the Risk Management Policy and Strategy and half-yearly reports on the update of the Corporate Risk Register. It is the committee's responsibility to ensure that risks are being actively managed.

7.3.3 The risk management policy and strategy are approved by Cabinet.

7.4 Management Team

7.4.1 Ultimately Management Team is responsible for managing risk. The responsibility cannot be devolved down, although actions to mitigate risk can be assigned to officers.

7.4.2 Executive Directors must inform the Section 151 Officer of any financial viability or resilience issues as soon as they emerge so that any appropriate action that may be required can be taken.

7.4.3 In addition, Management Team should:

- Nominate a member of Management Team with overall responsibility for risk management, currently the Chief Executive
- Identify risks within their respective directorates through section and project meetings.
- Take ownership of risks within their respective directorates and assign a responsible officer to all significant service risks
- Receive regular updates on identified and any new significant emerging risks within their directorate
- Ensure that the risk management process is reviewed on a regular basis.

7.5 Section 151 Officer

7.5.1 The Section 151 Officer has a responsibility to monitor the viability and resilience of the council's finances and take appropriate action if required to ensure the ongoing financial sustainability of the council. The officer must be informed of any potential financial risk arising from project or service activities as it emerges.

7.6 Service managers

7.6.1 Service managers are responsible for raising awareness of the risk management strategy in their own service area and notifying their executive director of any significant risks.

7.6.2 Service managers, in conjunction with their executive director, should:

- Lead reviews of the operational risks relating to their services
- Ensure a responsible officer is assigned to manage significant risks
- Identify resources to address the highest priority risks
- Monitor progress on a regular basis
- Review the risks on an annual basis and when new situations arise
- Ensure committee reports include an appraisal of all associated risks and their implications.

7.7 Project managers

7.7.1 Managers of major and capital projects are responsible for raising awareness of the strategy in their own projects and should monitor the project risk register on a regular basis. Any significant risks should be notified to the relevant executive director.

7.7.2 Project managers, in conjunction with their executive director, should:

- Lead reviews of the operational risks relating to their projects
- Ensure a responsible officer is assigned to manage significant risks
- Identify resources to address the highest priority risks
- Monitor progress on a regular basis
- Review the risks on an annual basis and when new situations arise.

7.8 Directors of council owned companies

7.8.1 Councillors and senior council officers are appointed as company directors on council owned companies such as West Norfolk Housing Company Ltd. There is a responsibility upon board directors to consider the risk management arrangements in place for these types of company.

7.9 Policy, Performance and Personnel

7.9.1 This service has responsibility for coordinating the implementation of the risk management strategy and reviewing the policy and strategy. This will include updating the corporate risk register, reporting where required to Management Team, Audit Committee and Cabinet and supporting ongoing communication and development.

7.10 Internal Audit

7.10.1 Audit of the risk management process is independently reviewed by Internal Audit to avoid a conflict of interest. Internal Audit can provide the Audit Committee with independent assurance as to the robustness of the council's risk management arrangements.

7.10.2 Internal auditors will consider any potential unidentified risks during their audit work and bring any issues to the attention of management where necessary.

7.10.3 The council's Fraud and Corruption Risk Register is maintained by Internal Audit. This forms part of the internal control environment and mitigation measures.

7.11 Health and safety risk management

7.11.1 The ongoing management of these types of risks is covered by the council's Health, Safety and Welfare General Policy.

7.11.2 Each directorate is responsible for undertaking their own annual risk assessments with support from the Corporate Health and Safety Group.

8. Risk management training

8.1 Risk management training will be provided to relevant officers with the aim of ensuring that they have the skills necessary to identify, appraise and control the risks associated with the services they provide and projects that they manage. Elected members will receive training on risk so that they can consider the implications of risk whilst engaged with council activities.

9. Health implications

9.1. The strategy is a key part of the council's governance framework and will contribute towards wider health policies through mitigation measures.

10. Equalities implications

10.1 The strategy is considered to have no equalities implications.

11. Reference documents

11.1 The strategy supports the council's Risk Management Policy.

12. Additional information or resources

12.1 The related Risk Management Policy and Strategic and Corporate Risk Register can be found in the risk management section of InSite.

12.2 Further information can be obtained from Policy and Performance.

13. Implementation/distribution

13.1 The strategy will be distributed to senior managers and all staff/members via Internal Affairs, the Members Bulletin and InSite.

Policy name	Risk Management Strategy			
Policy description	The risk management approach described in this strategy is key to identifying, assessing, mitigating, managing and reviewing risks to the achievement of the council's objectives.			
Responsible Officer	Ged Greaves, Senior Policy and Performance Officer			
Version number	Date formally approved	Reason for update	Author	Review date
1	March 2016	Refresh		March 2019
2	26 March 2019	Planned refresh	Ged Greaves	March 2022

Agenda Item 8

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	28 February 2022		
TITLE:	Corporate Risk Monitoring Report – November 2021		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Ged Greaves, Corporate Performance Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
This report presents the changes to the Corporate Risk Register since the last monitoring report to the 16 June 2021 committee meeting. It gives details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.
KEY ISSUES:
Following the review, it is proposed to increase the score for two risks to reflect challenges with supply chains and capacity. There are no proposals to add new risks to the register. The descriptions for three risks have suggested revisions. The target score for one risk is proposed to be increased to reflect the realities of cyber security threats. The register also includes risk actions which evidence the register is used as a management tool for driving improvement. Covid-19 has continued to have a significant impact upon the council's operating environment. The council is focused on delivering its Covid-19 recovery strategy and its response, normalisation and recovery work has had an impact upon all areas of its activities in addition to wider impacts upon the borough.
OPTIONS CONSIDERED:
Not applicable.
RECOMMENDATIONS:
Members are requested to consider the contents of the Corporate Risk Register and confirm agreement with Management Team's assessment of the risks to the corporate business plan/Covid-19 recovery strategy.
REASONS FOR RECOMMENDATIONS:
In order to ensure the council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'.

REPORT DETAIL

1. Introduction

1.1 The Risk Management Policy and Risk Management Strategy covering this reporting period were approved by Council in April 2019.

1.2 The Terms of Reference for the Audit Committee include responsibility for monitoring the management of risk. To this end, the committee receives reports on the position of the Corporate Risk Register, with the last one being presented to the committee on 16 June 2021. The latest report is for the period up to end of November 2021.

1.3 The Corporate Risk Register is reviewed by Management Team on a 6-monthly basis. Existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are proposed for removal and new risks considered in the context of current circumstances are added.

1.4 A summary of the changes to the Corporate Risk Register since the last monitoring report are detailed in section 2 below. Details of the 'Very High' risks are given in Appendix 1 together with a list of the 'High' risks.

1.5 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Management Strategy. The broad definitions and risk matrix are attached for reference in Appendix 2.

1.6 The full Corporate Risk Register, as agreed by Management Team, has been provided to the Audit Committee in hard copy, for reference.

1.7 Appendix 3 sets out the corporate risks in score order.

1.8 Attached at Appendix 4 is list of risks that have been removed from the register since May 2018.

2. Changes to the Corporate Risk Register

2.1 The Risk Management Policy states that to 'ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities'. As such the format of the risk register is ordered to reflect the priorities as contained in the Corporate Business Plan. This makes the link between the priorities and the management of associated risks clearer.

2.2 Apart from small changes made from a fresh review of the content and updates on progress for various entries, the main changes since the last report are listed below.

2.3 <u>Risk rating amendments – higher score</u>

2.3.1 Two risk scores have increased in this update. Covid-19 continues to impact upon the impact and likelihood of vulnerabilities arising. The impact is evident in delays to supply chains and capacity challenges. The probability of vulnerabilities arising continues to be amplified by the virus and its variants.

2.3.2 Two risks have an increased score:

Risk 1.7 - Capacity

Previous score: Moderate/Likely Proposed score: Moderate/*Almost certain*

The probability of the risk materializing has increased as there are current signs of capacity challenges in some activities evidenced by failed or difficult recruitment activities.

The risk would move from amber to red.

Risk 2.9 – Major projects programme

Previous score: Moderate/Likely Proposed score: Moderate/*Almost certain*

As with risk 1.7, the probability of the risk materializing as capacity challenges have arisen from challenges with recruitment, Covid-19 redeployment and availability of skills/expertise.

The risk would move from amber to red

2.4 Risk rating amendments – lower score

2.4.1 There are no proposals to reduce the scores for risks.

2.5 Risks proposed to be added to the register

2.5.1 No risks have been added to the register in this review.

2.6 Risks proposed to be removed from the register

2.6.1 There are no proposals to remove risks from the register.

2.7 Changes in focus of risks

2.7.1 The proposed changes are shown in italics and reflect a change in the national planning policy system.

2.7.2 Risk 1.17 – Financial ledger software implementation *and development*

Current description:

Failure to effectively implement software in accordance with required timescales, resulting in disruption to service delivery, processing times, impact on Council reputation and ability to meet mandatory financial reporting deadlines.

Proposed description:

Failure to effectively implement *and develop* software in accordance with required timescales, resulting in disruption to service delivery, processing times, impact on Council reputation and ability to meet mandatory financial reporting deadlines.

2.7.3 Risk 3.2 – Carbon emissions

Current description:

Failure to reduce the council's carbon emissions and encourage reduction in borough wide emissions by 2050 leading to reputational damage.

Proposed description:

Failure to reduce the council's carbon emissions and encourage reduction in borough wide emissions by *2035* leading to reputational damage.

This change reflects the climate emergency declaration and agreed strategy.

2.7.4 Risk 4.2 – Homelessness Reduction Act 2017

Current description:

Increase in demand results in budget overspend for bed and breakfast accommodation.

Proposed description:

A very small significant number of highly vulnerable complex needs individuals become homeless in a chronic way and be in danger of rough sleeping.

Relatively (to the overall budget) the spend on B&B is small, and in historic context minor.

2.8 <u>Change in target score</u>

2.8.1 Risk 1.14 – Cyber security risk

Previous target: Moderate/Unlikely Proposed target: Moderate/*Possible*

The proposal is to increase the target likelihood to reflect the realistic situation that the probability of a cyber security risk materializing is likely to be greater given that threats evolve to counter improvements in technology, software and cyber defences.

3. Conclusion

3.1 The Corporate Risk Register continues to be actively monitored by Management Team on a periodic basis.

4 Corporate Priorities

4.1 The Corporate Risk Register is aligned with the previous Corporate Business Plan. Following the development of directorate plans the register will be aligned with the corporate business plan agreed in November 2021.

5 Policy Implications

5.1 The updated register reflects emerging policy development related to climate change.

6 Financial Implications

6.1 The Corporate Risk Register is designed to assist senior management to identify and manage any financial implications identified through normal operations.

7 Personnel Implications

7.1 None.

8 Statutory Considerations

8.1 Account and Audit Regulations 2015 - s3(c). The council must ensure that it has 'effective arrangements for the management of risk'.

9 Equality Opportunity Considerations

9.1 None

10 Risk Management Implications

10.1 The council has in place a Risk Management Policy and Strategy.

10.2 The Corporate Risk Register records high level risks which pose a threat or opportunity to the council's objectives. It is a tool used by the Chief Executive and the executive directors (Management Team) to help manage risk across the authority and is a key document within the governance controls applied within the council.

11. Environmental Implications

11.1 The risk register includes a number of climate change and environmental risks such as Risk 1.1 - Business continuity, Risk 3.1 - Flood management and coastal erosion and Risk 3.2 - Carbon emissions.

12 Recommendations

12.1 Members are requested to:

a) consider the contents of the risk register;
b) confirm agreement with Management Team's assessment of the register:

i. Two risk scores are increased (outlined in section 2.3)
ii. No risk scores are reduced (outlined in section 2.4)
iii. No new risks are added (outlined in section 2.5)
iv. No risks are deleted (outlined in section 2.6)
v. Three risks are reframed (outlined in section 2.7).
vi. One target risk score is increased (outline in section 2.8)

13.0 Declarations of Interest / Dispensations Granted

13.1 None.

Background Papers

Previous Corporate Risk Registers reported to Audit Committee
Risk Management Policy and Strategy

APPENDIX 1

Risk name: Capacity

Ref	Description	Mitigation	Progress
1.7	As staffing levels are reduced to a minimum, capacity to cope with major projects, sickness absence and peak holiday periods is compromised resulting in insufficient staff levels to deal with operational matters.	'1. Arrangements with other councils. 2. Use of agency and interim staff. 3. Improve staff resilience/ cross training. 4. Service and management restructures and related recruitment and development. 5. Absence management. 6. Use of apprentices and intern from UEA (position subsequently established as permanent role). 7. Use of external support for Towns Fund business case development and independent appraisal.	Established training regime to enable colleagues to cover for each other's absences. Management restructure implemented January 2020. UEA intern to support climate change footprint and policy development with ongoing links with degree modules for additional project activity (this role has subsequently been established as a permanent position). Response to Covid 19 included temporary cessation of some non-critical services and redeployment of staff to support new activities such as the food hub, calls to residents who were shielding and the vulnerable, support to the Norfolk Resilience Forum and NHS, support for virtual council meetings. Redeployment of staff ending with restoration of services and focus on Covid 19 response/recovery. End of shielding and phased approach for return of staff to their normal office base in line with the Government's roadmap will support return of services/operational delivery to normal levels however some services (frontline and back office) have backlogs and new Government initiatives may require additional capacity. Additional resources to focus

			on communications and enforcement of flytipping. Agreement for additional resources using COMF funding but struggling to recruit and additional difficulties in recruiting to other posts. A number of senior posts have been recruited to in a relatively short space of time. Action: 1. Review recruitment issues, April 22.

Risk Score:	Score = 15	
Impact	Moderate	3
Likelihood	Almost certain	5

Risk name: Financial plan

Ref	Description	Mitigation	Progress
1.10	Balancing income and expenditure for both Revenue and Capital as set out in the estimates will become more challenging. In addition to the current Covid 19 and economic situations, within which there are significant pressures upon spending and income at both local and national levels , there are known changes needed to funding streams from 2021/22 (due to happen in 2020/21 but delayed a further year by the government), with a move from relying on local taxation rather than funding from Central Government. The current Budget Plan assumes challenging levels of savings in revenue costs and increased reliance on investment in major capital projects to provide future revenue income. There is a possibility that assumptions will not be fully met particularly with the impact of Covid 19 and resultant economic challenges.	1. A review of the costs and provision of all services will continue with the aim of reducing costs and if necessary reduce services to match income. 2. Attendance at consultation updates from LGA / MHCLG. 3. Budgets will be monitored/reported against estimates on a regular basis. 4. Balanced and funded budget to 2021/22. 5. Efficiency Plan and multi-year settlement with Government. 6. Capital and property investment strategy and related monitoring process. 7. Planned and unplanned savings transferred to General Fund balance to adapt to reduction in central government funding. 8. Cabinet and Management Team away days to focus on financial management. 9. Budget presentations to council panels. 10. MHCLG funding related to Covid 19.	Budget training for members is provided to raise awareness of budget issues. Clarity of the impact of the Fair Funding Review 2020 and Business Rates Retention awaited and remain a concern. Proposals to fund local government via business rates retention reforms remain a risk. Sector and Treasury Management advice in light of uncertainties such as Brexit. Corporate financial model is being developed covering investment schemes. Significant financial impact following outbreak of Covid-19 with Government providing emergency funding of £4m in 20/21 with a further claim due to be submitted against the SFC Scheme. Financial Plan approved by Council in February 2021 which sets out Government Grants announced for 2021/22 with budget gap of £3.4m to address by 2024/25. Cost reduction plan refresh underway. Spending Review published in October 2021 although detail awaited on local government financial settlement. Outturn for 20/21 required a lower draw down of reserves than anticipated which reduces the gap from £3.4 to circa £1m. Undertaking budget setting process to refresh the financial plan for the next 4 years. Action: 1. Revised Financial Plan developed for Cabinet and Council approval, Feb 2022.

Risk Score:	Score = 20	
Impact	Extreme	5
Likelihood	Likely	4

Risk name: Business Rates

Ref	Description	Mitigation	Progress
1.12	The financial plan may be adversely affected as a result of substantial events that affect the Business Rates due to the Council. Such events may be appeals being agreed leading to substantial Rateable Value reductions; reliefs being granted; failure to grow the business rate tax base or closure of a large business; and uncertainty relating to the 75% retention of Business Rates in future.	1. Reserves created for measurable risks and membership of the Norfolk Business Rates Pool. 2. Continue to monitor potential areas of risk and work with LGA where possible. 3. Continue working with major businesses to reduce the possibility of closure. 4. VOA has changed its appeal process - now check, challenge and appeal, which seems to have reduced the number of appeals coming through. although it is still early days with this new process so reserves have been maintained at existing levels. 5. S31 grant provided to offset shortfall in income.	NHS appeal withdrawn so contingent liability can be removed from statement of accounts. Due to uncertainty of EU Transition compounded by impact of Covid on business rates, a decision was made to collapse the Norfolk Business Rates Pool in 2021/22 with a review to be carried out whether to resurrect it again for 2022/23. Regular updates provided to Government on impact to business rates. Government has compensation scheme in place and has continued to provide financial support to businesses through reliefs and grants. Situation will continue to be closely monitored. Uncertain whether 75% business rates retention scheme will be progressed due to impact from Covid-19 on economy. Action: 1. Monitor Government position with business rates retention. 2. Provisional local government finance settlement announced Dec 2021 -ongoing monitoring of impact.

Risk Score:	Score = 20	
Impact	Extreme	5
Likelihood	Likely	4

Risk name: Financial ledger software implementation and development

Ref	Description	Mitigation	Progress
1.17	Failure to effectively implement and develop software in accordance with required timescales, resulting in disruption to service delivery, processing times, impact on Council reputation and ability to meet mandatory financial reporting deadlines.	1. Adherence to agreed procurement procedures. 2. Allocation of appropriate resources to the project. 3. Knowledge, skills and experience of those working on the project. 4. Use of software provider support. 5. Prioritisation of work programme.	Implementation on 1 April 2020. Numerous issues following system going live which were not apparent during testing causing additional workload when resource is already stretched. Impact of Covid has disrupted team and project capacity and have had to adapt to different working methods. Issues still emerging which divert team resource but also implications for customers that the team are working with.Ongoing issues with processing activity as development time has been limited. The first close down of accounts has taken place within the system environment. A UNIT4 licence review has identified additional users and potential related additional licence costs. Actions: 1. With support from procurement, review the future licence arrangement and system roles, Dec 2021. 2. System training programme deployed, May 2022. 3. Finance improvement plan to developed including training, licences, system development, Mar 22.

Risk Score:	Score = 16	
Impact	Major	4
Likelihood	Likely	4

Risk name: Covid-19

Ref	Description	Mitigation	Progress
1.20	Virus results in national and local measures to contain outbreak with consequences for commercial services, service delivery and staff/member well-being.	1. Business continuity arrangements including critical services and "Loss of staff" threat analysis and interventions such as enhanced cleaning regimes, staff rotas, building air-flow, etc. 2. Emergency planning liaising with Norfolk Resilience Forum and structures. 3. Insurance 4. ICT network and capability to support flexible working (tele/video-conferences, working from home and alternative locations, Office 365, Teams, Zoom, Youtube). 5. Digital and telephony access to services to minimise face to face interactions. 6. Lobbying for government support. 7. Covid 19 Recovery strategy. 8. Monitoring data. 9. Prioritisation of services and response. 10. Government funding streams e.g Household Support Fund. 11. Environmental health officers supporting local Track and Trace response and advising businesses. 12. Referral mechanism for staff Covid 19 testing. 13. Ventilation survey and improvements. 14. Staff and manager briefings on	Large part of CSNN is in Covid response. Household Support Fund being delivered. Homelessness critical and Everyone In active. Supporting hospital with District Direct and hospital discharge. Provide staffing to administer the Household Support Fund for next 6 months to help vunerable people and with accessing work. Test and trace still active. Ongoing monitoring returns for Govt, monitoring COMF spending and returns, processing grants, test and trace. Internal Audit moved back to Kings Court. Expectation of BAU and catch up but still dealing with pandemic response. External Audit - impacted by resource capacity going on into next financial year. BAU debt recovery for Revs and Bens, commercial recovery evictions delayed to April 22 and payment plans in place. Homelessness strategy work ongoing, rough sleeper funding directed towards Everyone In including capital funding (Next Steps/ARSAP accom programme). Anticipating dialogue on housing funding and support being part of devolution deal for Norfolk. Cabins in place with recurring costs pending transition to new operating model for support services/innovative accom provision. Redeployment of staff within corp projects and procurement now returning to normal roles. Supply chains remain unstable but some signs of easing. Prices stabilising and supplies available, anticipate correction but not sure when. Lockdown and furlough will prolong challenges.Vaccination programme ongoing with boosters. Hospitalisation rates lower than in 2020/21 although monitoring impact of new Omicron variant. Continued with internal measures over and above national guidance. Encouraging vaccinations and

		Covid-19, absence management, working practices.	booster jabs e.g. worry bus. Telephone spot check with national H&S Exec re: Covid 19 mitigation measures in buildings. Unannounced spot checks. Corp H&S guidance issued to ADs with responsibility for buildings. Training for managers rolled out, signage and comms rolled out. CO2 monitors installed throughout KC in targetted locations informed by ventilation survey. Actions: 1. Provide ongoing support and staff for multi-agency Covid-19 response, Mar 2022. 2. Ongoing Covid-19 safe measures in workplace, Mar 2022. 3. Review of hybrid working policy, Mar 2022.

Risk Score:	Score = 20	
Impact	Major	4
Likelihood	Almost certain	5

Risk name: Local employment

Ref	Description	Mitigation	Progress
2.1	The ability to attract new investment could be adversely affected by potential barriers in the local economy such as availability of premises, levels of skills in the workforce and related low value work.	1. Delivery of an Enterprise Centre and implementation of skills & training initiatives with partners and business sectors. 2. The opening up of employment land at Hardwick and Campbell's Meadows in KL and at St John's Business Estate in Downham Market. 3. Information packs on the local area and to aid recruitment are provided on request. 4. Maintain regular contact with Department for International Trade and market investment opportunities with them. 5. Effectively handle enquires received direct, whether from inside or outside the Borough. 6. Active involvement with New Anglia LEP and Greater Cambridge Greater Peterborough LEP. 7. Enterprise Zone development. 8. Use of external funds to de-risk developments.	Project funding targeted at raising attainment in local schools from Second Homes money. Land at Downham Market and NORA is actively marketed. The King's Lynn Innovation Centre (KLIC) has high occupancy. A marketing plan for the Nar Ouse Business Park Enterprise Zone implemented. Gas main diversion completed. Nar Ouse site infrastructure & Phase 1 premises construction progressing. LEP financing helps to de-risk the development. Engagement with the BID. Early interest shown by several local companies seeking to expand. Ongoing uncertainty arising from Covid-19 and EU transition may delay company investment decisions. Pre-Covid 19, unemployment rate was at a low level but has risen with economic impact of Covid 19 although the claimant rates has subsequently fallen following the lifting of restrictions and end of furlough in Sept 2021. H&M store opened Nov 2019 adding to the town centre offer but Covid-19 has led to store closures. Management restructure strengthened focus on regeneration. External funding being progressed via sources such as High Street Heritage Action Zone and Town Fund. National measures contained in Chancellor's statement on 8 July 2020 announcing investment in skills, creating jobs, apprenticeships and opportunities for young people and measures to support retail, hospitality and tourism sectors such as VAT reductions, contributions towards dining out, etc. Economic recovery strategies at borough, county and LEP areas. Some businesses have large numbers of vacancies circa 20%. Supply chain issues and labour force issues with pandemic and EU Transition. New businesses enquiries being received and a role to open up new allocated employment land in Borough. Pressures upon resilient supply chains as labour rates elsewhere become

			more attractive. Actions: 1. Local Plan review - employment land (current allocated land is unviable due to need to raise levels). 2. Ongoing monitoring of Levelling Up proposals and support to increase the numbers of people to fulfill roles at all skill levels post-Covid/EU Transition, Mar 22 3. Apprenticeships/ training programmes encouraged within major housing contracts and sub-contractors, Mar 22

Risk Score:	Score = 16	
Impact	Major	4
Likelihood	Likely	4

Risk name: Empty retail properties / town centre decline

Ref	Description	Mitigation	Progress
2.2	Loss of town centre businesses leads to a continued downward spiral resulting in long-term depression of the towns.	1. Continued support to businesses through hardship relief. 2. Active management of lettings and promotion of a positive image of the town to potential businesses. 3. Initiatives to promote the town to visitors, shoppers and businesses. 4. Town Centre Partnership/BID. 5. Transport and town centre studies. 6. Bids for external funding such as Town Fund, Future High Streets Fund. High Street Heritage Action Zone. 7. Improvements to key access roads and junctions. 8. Management capacity. 9. Covid 19 response to reopening high street 10. Payment plans for commercial tenants 11. Change in use class Order E. 12. Town Investment Plan.	National retail statistics indicate reductions in town centre footfall compounded by ongoing economic uncertainty, Covid-19 concerns and behavioural shift to online shopping. Range of national retailers and hospitality businesses reducing their operations. Government policies and funding streams such as Eat out to Help Out and VAT reductions temporarily supported town centre activity with Covid-19 roadmap easements providing further stimulation. Some developments have misunderstood the market's requirements. Initiatives to promote the town, opportunities to improve new housing delivery in the town centre. Actions: 1. Actively identifying opportunities to repurpose vacant retail units including conversion to residential and creating flexible pop up retail opportunities for micro-businesses/niche retailers plus community based organisations, Mar 2022 2. Developing business cases for Public Realm improvements, Town Centre Repurposing and Riverfront, June 2022.

Risk Score:	Score = 16	
Impact	Major	4
Likelihood	Likely	4

Risk name: Major Projects Programme

Ref	Description	Mitigation	Progress
2.9	The failure to deliver the programme of major projects to its approved parameters impacts upon the council's finances and delivery of council services. A major project being any approved property project that can cause significant financial, legal, reputational or compliance issues or prevent the council from delivering a priority or key objective.	1. Project management principles applied with use of briefs, PIDs, risk, etc. 2. Officer Major Projects Board for approval of projects and oversight of delivery and involving senior officers representing key disciplines. 3. Member Major Projects Board oversight with updates to Audit Committee. 4. Use of external professional advisers on technical and professional matters e.g. architects,engineers, etc. 5. Broad programme agreed by Cabinet with updates via Cabinet briefings and to portfolio holders. 6. Due diligence undertaken on investments, partnerships, third parties, etc and recorded in contracts, reports, etc. 7. Skills development for project delivery teams. 8. Use of external funds to de-risk developments. 9. Change control logs, risk registers on Major Housing Projects.	Risks and mitigation measures identified in project documents. Officer and Member Major Projects Boards provide oversight and assurance. Due diligence checklist in development covering site, legal, financial, communications, resource issues and development options. Wide range of external funds to de-risk development financing such as Future High Streets Fund, Town Fund, Business Rates Pool, Accelerated Construction Programme, Coastal Revival Fund, etc. Change in focus of funding appears directed to 'shovel-ready' projects. Implications of Covid-19 impact on council's financial resources resulting in review of budgets and capital programme and re-prioritising projects to ensure sustainable, affordable programme going forward. Labour market challenges leading to potential risks around availability of required skills/competency/experience when recruiting e.g. project management. Action: 1. Consider succession planning, apprenticeships, etc as a future approach to minimising risks, Mar 2022.

Risk Score:	Score = 15	
Impact	Moderate	3
Likelihood	Almost certain	5

Risk name: Provision of leisure and cultural services

Ref	Description	Mitigation	Progress
6.1	Alive West Norfolk does not perform to expectations and business plan.	1. Due diligence; financial and legal arrangements. 2. Legal advice and technical expertise bought in where required. 3. Project board established. 4. Strategy, business case, business plan development and management of project risk register. 5. Stakeholder engagement. Communications support. 6. Consideration of VAT issues arising from a change in delivery model. 7. Reports to Cabinet (5 Feb 2019) and Environment and Community Panel (22 Jan 2019) with regard to the transfer of the Leisure Services operation from ALT to the Council. 8. Heads of Terms agreement agreed and aiming for 1 July 2019 handover. 9. Alive West Norfolk council wholly owned company established and directors appointed. 10. Financial ledger for new company. 11. Contract monitoring role within 2019/20 management restructure. 12. Furloughing of staff in response to Covid 19 13. Revised business plan responding to Covid 19 14. AWN Strategy agreed by AWN Board	Company operational July 2019. Internal Audit reviewing project to identify gaps. Contract monitoring resource being introduced within the council's management restructuring in late 2019. Significant impact arising from Covid 19 and closure of facilities. Construction delayed on Corn Exchange cinema - revised completion and opening 25 Sept 2020. Lockdown easements with reopening of facilities from 6 Apr 2021, 12 Apr 2021 and 17 May 2021 subject to Covid-19 safety guidelines and Government roadmap. Confirmation of Government partial compensation for loss of income. Alive Corn Exchange awarded £247,690 from Government's Culture Recovery Fund. Anthony Collins Solicitors commissioned to review the governance of the council's wholly owned companies. Presentation by AWN to E&C Panel on 4 Jan 2022. Action: 1. Council companies review considered by Corporate Performance Panel and Cabinet, Mar 22

		April 21 15 AWN Operational plan aligned to Strategy April 21 16 AWN High Level Business Plan to AWN Board Dec21 17 National Leisure Recovery Grant of £636k used to support AWN during 20/21 18 Culture Recovery fund of £223k used to support AWN during 20/21	

Risk Score:	Score = 20	
Impact	Major	4
Likelihood	Almost certain	5

Risks categorized as 'High Risk' (Score 10-12)

Ref	Title	The risk that:	Score
1.1	Business continuity (Internal) Including loss of staff and loss of King's Court	The Council is unable to meet its obligations as a Category 1 responder under the Civil Contingencies Act 2004 which requires that the Council has effective, organisation wide plans based on risk assessment. In addition, the Council appears to be ineffective in times of emergency.	12
1.14	Cyber security attack	Data and systems could be compromised by way of ransomware, virus and / or phishing attacks.	12
1.2	Cost Reduction Programme (staff morale & members' expectations).	The process of cost reduction programme necessary to assist the Cabinet to meet the future budget shortfall could lead to a drop in staff morale and consequently an increase in sickness absence. Members may not fully realise the impact of the necessary budget cuts on the level of service delivery.	12
1.4	Due diligence	Increasing pressure on the Council to find alternative ways to deliver service objectives means that new, innovative projects are being considered, which may not generate savings as anticipated or have sufficient staff resources with the required skills to deliver.	12
1.8	Fraud and corruption	The Council, like any other organisation, is vulnerable to fraud and corruption. The Council suffers a loss and/or reputational damage.	12
2.3	Major housing developments	Local opposition may result in planning permission not being obtained for the development, leading to contractual problems with the developer.	12
2.4	5-year land supply and housing delivery and housing delivery test	The Government or the Planning Inspectorate does not agree that the Council has identified an adequate supply of land designated as housing development land for the next 5 years, or has not delivered against the nationally set target of homes to be built every year, and consequently this will lead to development approved in areas that the Council does not want developed.	12
2.6	Strategic land and property acquisition	The Council has a finite amount of land/properties in its portfolio which will limit future opportunities for development/investment and associated financial return.	12
2.8	Accelerated Construction Programme	Delivery breaches agreed contract terms with Homes England.	12
3.2	Carbon emissions	Failure to reduce the council's carbon emissions and encourage reduction in borough wide emissions by 2035 leading to reputational damage.	12
5.2	Council Reputation	An avoidable incident occurs which could result in the council's reputation being adversely affected, resulting in loss of confidence from the public. Such incidents could relate to HMO's, food safety, leisure activities, asbestos, legionnaires disease. A failure to identify and mitigate risks associated with contracts.	12
6.2	Emergency response (External)	The Borough is vulnerable to the effects of flooding and it is anticipated that the local area will be flooded at some stage.	12
6.3	Health and Safety	Compliance with Health & Safety legislation relevant to the Council's activities is a mandatory requirement. Failure to comply with H&S requirements can lead to injury and ill health to employees and the public at large who might be affected by Council activities. Compliance failure can also lead to enforcement action by the Health and Safety Executive.	12

APPENDIX 2 - After November 2021 review

LIKELIHOOD					
5 Almost Certain	(Green)	(Orange)	(Red) 1.7, 2.9	(Red) 1.20, 6.1	(Red)
4 Likely		(Green)	(Orange) 1.2, 2.4, 5.2	(Red) 1.17, 2.1, 2.2	(Red) 1.10, 1.12
3 Possible		(Green) 4.1, 4.3	(Green) 1.3, 1.9, 1.13, 1.15, 1.16, 1.18, 2.5, 2.7, 4.2, 5.3	(Orange) 1.1, 1.4, 1.8, 1.14, 2.3, 2.6, 2.8, 3.2, 6.2, 6.3	(Red)
2 Unlikely			(Green) 1.5, 1.11, 5.1	(Green) 1.6, 1.19, 3.1	(Orange)
1 Rare					(Green)
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme

IMPACT

Risk Category	How the Risk should be managed
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures. Responsibility to be allocated by Management Team to a named Service Manager.
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

APPENDIX 3 - Corporate risks in score order

Ref	Title	Score
1.10	Financial plan	20
1.12	Business Rates	20
1.20	Covid 19	20
6.1	Provision of leisure and cultural services	20
1.17	Financial ledger software implementation and development	16
2.1	Local employment	16
2.2	Empty retail properties / town centre decline	16
1.7	Capacity	15
2.9	Major projects programme	15
1.1	Business continuity (Internal) Including loss of staff and loss of King's Court	12
1.14	Cyber security attack	12
1.2	Cost Reduction Programme (staff morale & members' expectations).	12
1.4	Due diligence	12
1.8	Fraud and corruption	12
2.3	Major housing developments	12
2.4	5-year land supply and housing delivery and housing delivery test	12
2.6	Strategic land and property acquisition	12
2.8	Accelerated Construction Programme	12
3.2	Carbon emissions	12
5.2	Council Reputation	12
6.2	Emergency response (External)	12
6.3	Health and Safety	12
1.13	Channel Shift	9
1.15	Pay Policy	9
1.16	General Data Protection Regulations (GDPR)	9
1.18	Conflicting aims (with Partners)	9
1.3	Reputation management	9
1.9	VAT	9
2.5	Housing market	9
2.7	West Winch/North Runcton Strategic Growth Area	9
4.2	*Preventing homelessness*	9
5.3	Improvements to heritage buildings	9
1.19	Mobilisation of new Waste and Recycling Contract	8
1.6	ICT failure of backup	8
3.1	Flood management and coastal erosion	8
1.11	Pension Fund	6
1.5	Loss of ICT	6
4.1	Modern Slavery	6
4.3	New regulations regarding HMOs	6
5.1	Community Relations	6

APPENDIX 4 - Corporate risk removed from the register

Title	The risk is that:	Risk removed
VAT - Trust arrangements	If subject to an audit, HMRC may not agree that the model used to establish the new leisure arrangements is valid in respect of claiming VAT exemptions.	Jun-19
Revenues and Benefits software tender	Failure of tender process to procure an appropriate software solution and/or the ability to effectively implement new software in accordance with required timescales, resulting in disruption to service delivery, processing times and impact on Council reputation	Jun-19
Fire compartmentalisation	Elements of King's Court are declared unsafe for habitation based on a fire safety assessment by either the Crown fire officer or BCKLWN's fire officer.	Jun-19
THi 2 Application to the Heritage Lottery Fund	Important parts of King's Lynn continue to be in a dilapidated state giving a very poor image of the town	Jun-19
Waste and Recycling Contract	The Council will not have the required vehicles or manpower to supply waste collection services if Kier, who currently have the contract to provide the service, terminate the contract at short notice.	Oct-18
King's Court	Relocation of partner organisations into King's Court risks disruption to and potential loss of/impact on services currently delivered from the site. There is also the risk of loss of income/higher implementation costs associated with moving external teams into the building.	May-18

REPORT TO:	**AUDIT COMMITTEE**		
DATE:	28 February 2022		
TITLE:	**MID YEAR REVIEW TREASURY REPORT 2021/2022**		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Cllr A Dickinson E-mail: cllr.angie.dickinson@West-Norfolk.gov.uk		
REPORT AUTHOR:	Carl Holland E-mail: carl.holland@west-norfolk.gov.uk Direct Dial: 01553 616549		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

Date of meeting: 28 February 2022

MID YEAR TREASURY OUTTURN REPORT 2021/2022

Summary

The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and remains fully compliant with its requirements. One of the primary requirements of the Code is receipt by Council of a Mid-Year Review Report.

The Mid-Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- A review of the Treasury Management Strategy;
- The Council's capital expenditure (prudential indicators);
- An economic update for the first six months of 2021/2022.

Additional Supporting Information
Appendix 1 – Economic Outlook
Appendix 2 – Investments as at 31 October 2021
Appendix 3 – Borrowing as at 31 October 2021
Appendix 4 – Prudential Indicators

Recommendation

Audit Committee is asked to note the report and the treasury activity.

Reason for Recommendation

The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and remains fully compliant with its requirements. One of the primary requirements of the Code is, receipt by Audit Committee of a Mid-Year Review Report.

1. The Treasury Management Mid-Year Review 2021/2022

1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

1.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

1.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of any debt rescheduling undertaken during 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22. Appendix 3.

2. Economic Update

2.1 An update reporting a number of factors that could be influencing the economy at the mid-year point is included at Appendix 1. Since that update was reported UK inflation, as measured by the Consumer Price Index (CPI), jumped to 5.1% year on year in November from 4.2% in October, reaching its highest rate since December 2011. This saw the Monetary Policy Committee (MPC) raise the Bank Rate to 0.25% in December 2021 and to 0.5% in February 2022 demonstrating an increase sooner than had been forecast in the table below. Appendix 1 is provided for information, but it is recognised that changes in inflation and the bank rate have occurred since and this is reflected in the Treasury Management Strategy 2022/2023 as reported to Cabinet on 9 February 2022.

Bank Rate Forecast (Link Group 20 December 2021)

Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024
0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%

3. Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by this Council on 2 February 2021.

3.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4. The Council's Capital Position (Prudential Indicators)

4.1 This section of the report provides an update on:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.2 Prudential Indicator for Capital Expenditure

4.2.1 The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at full Council on 16 March 2021.

Capital Expenditure	2021/22 Original Estimate	2021/22 Actual as at 31 Oct 21	2021/22 Revised Estimate
	£'000	£'000	£'000
Major Projects	41,288	993	37,315
Operational Schemes:			
Community and Partnerships	2,752	1,118	2,695
Resources	431	24	431
Property and Projects	94	0	66
Operational and Commercial Services	2,899	734	1,358
Leisure and Community Facilities	1,261	0	198
Exempt Schemes	22,584	3,407	15,431
Total Capital Expenditure	**71,309**	**6,276**	**57,494**

4.3 **Changes to the Financing of the Capital Programme**

4.3.1 The table below shows how the capital expenditure is expected to be financed in the year. The borrowing requirement shown at the bottom of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by needing to replace maturing debt and other treasury requirements.

Financing Capital Expenditure	2021/22 Original Estimate	2021/22 Actual as at 31 Oct 21	2021/22 Revised Estimate
	£'000	£'000	£'000
Total Capital Expenditure	71,309	6,276	57,494
Capital Receipts	1,709	46	13,099
Capital Grants	1,775	2,300	3,337
Capital Reserves	889	75	2,777
Revenue	5,757	3,286	1,725
Total financing	**10,130**	**5,708**	**20,938**
Borrowing requirement	**61,179**	**568**	**36,556**

4.4 **Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary**

4.5 The first table below shows the CFR, which is the underlying need to borrow for a capital purpose (i.e. capital expenditure which has not been financed immediately through the use of capital receipts, capital grants or revenue contributions and is still to be financed). It also shows the expected debt position over the period, which is termed the Operational Boundary.

4.6 **Prudential Indicator – Capital Financing Requirement**

The council is on target to achieve the original forecast CFR.

4.7 **Prudential Indicator – The Operational Boundary for External Debt**

Capital Financing Requirement (CFR)	2021/22 Original Estimate	2021/22 Actual as at 31 Oct 21	2021/22 Revised Estimate
	£'000	£'000	£'000
Prudential Indicator – Capital Financing Requirement			
CFR	77,198	61,115	61,115
Net Movement in CFR			
Prudential Indicator – the Operational Boundary for External Debt			
Borrowing	10,000	10,000	10,000
Total Debt (Year End Position)	**67,198**	**51,115**	**51,115**
External Debt for Commercial activities	**2021/22 Original Estimate**	**2021/22 Actual as at 31 Oct 21**	**2021/22 Revised Estimate**
	£'000	£'000	£'000
Actual debt at 31 March £m	4,788	0	0
Percentage of total external debt %	7%	0%	0%

4.8 **Limits to Borrowing Activity**

4.9 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Operational Boundary	2021/22 Original Estimate	2021/22 Actual as at 31 Oct 21	2021/22 Revised Estimate
	£'000	£'000	£'000
Borrowing	77,000	61,000	61,000
Other Long-Term Liabilities	1,000	1,000	1,000
Commercial Activities	10,000	10,000	10,000
Total Debt (Year End Position)	**88,000**	**72,000**	**72,000**
CFR * (Year End Position)	**77,198**	**61,115**	**61,115**

4.10 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected

movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003

Authorised Boundary	2021/22 Original Estimate	2021/22 Actual as at 31 Oct 21	2021/22 Revised Estimate
	£'000	£'000	£'000
Borrowing	82,000	66,000	66,000
Other Long-Term Liabilities	1,000	1,000	1,000
Commercial Activities	10,000	10,000	10,000
Total Debt	**93,000**	**77,000**	**77,000**

5. Investment Portfolio 2021/22

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and then to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 2.1, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.10% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

5.2 The Council held £42.685m of investments as at 31 October 2021 (£16.038m at 31 March 2021) and the investment portfolio yield for the first 6 months of the year is 0.13% against a benchmark 7 day LIBID rate of negative 0.06%.

5.3 A full list of investments held as at 31 October 2021 is in appendix 1:

5.4 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 7 months of 2021/22.

5.5 The Council's budgeted investment return for 2021/22 is £10,450, and performance for the year to date is £5,427 which is £5,023 below budget.

6. Borrowing

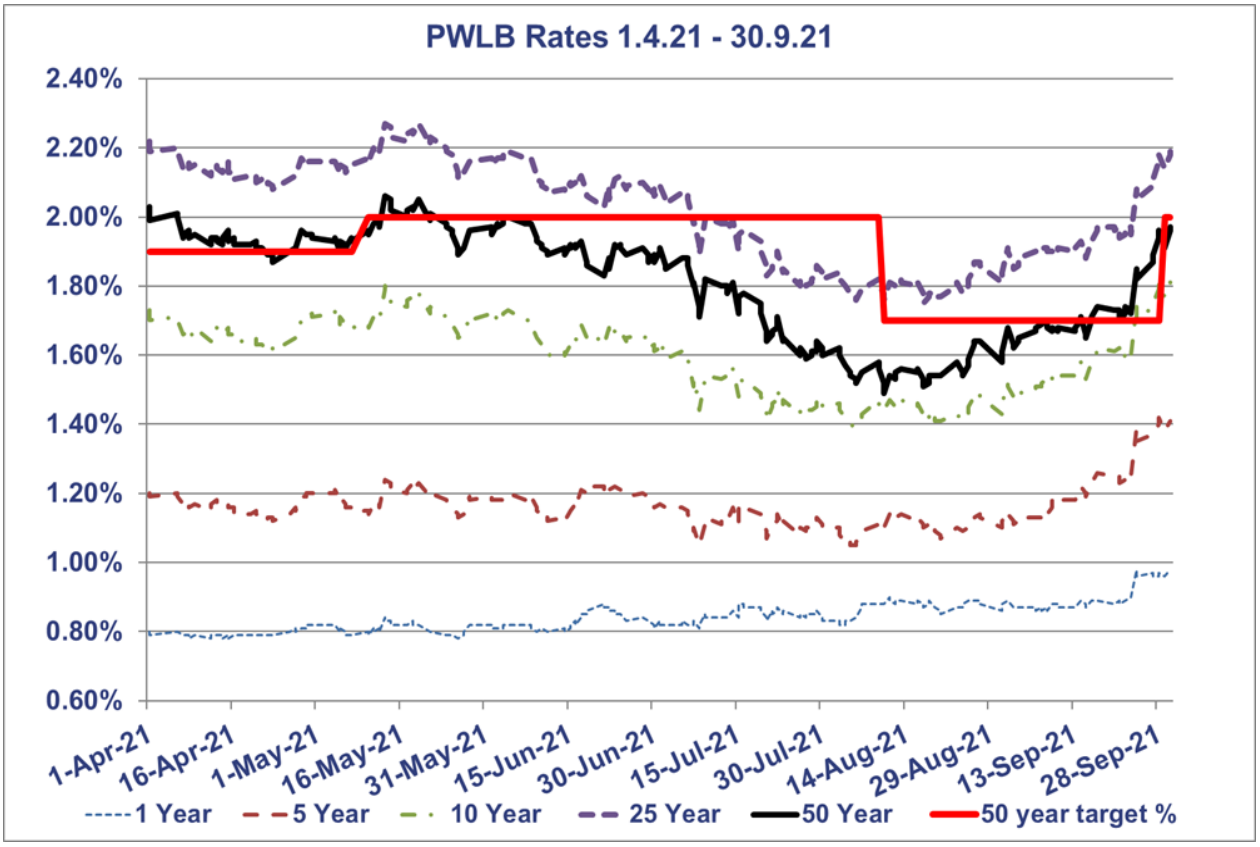
6.1 The Council's capital financing requirement (CFR) for 2021/22 is £61.115m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table in paragraph 4.7 above shows the Council has borrowings of £10m and has utilised £51.115m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

6.2 It is anticipated that further borrowing will not be undertaken during this financial year.

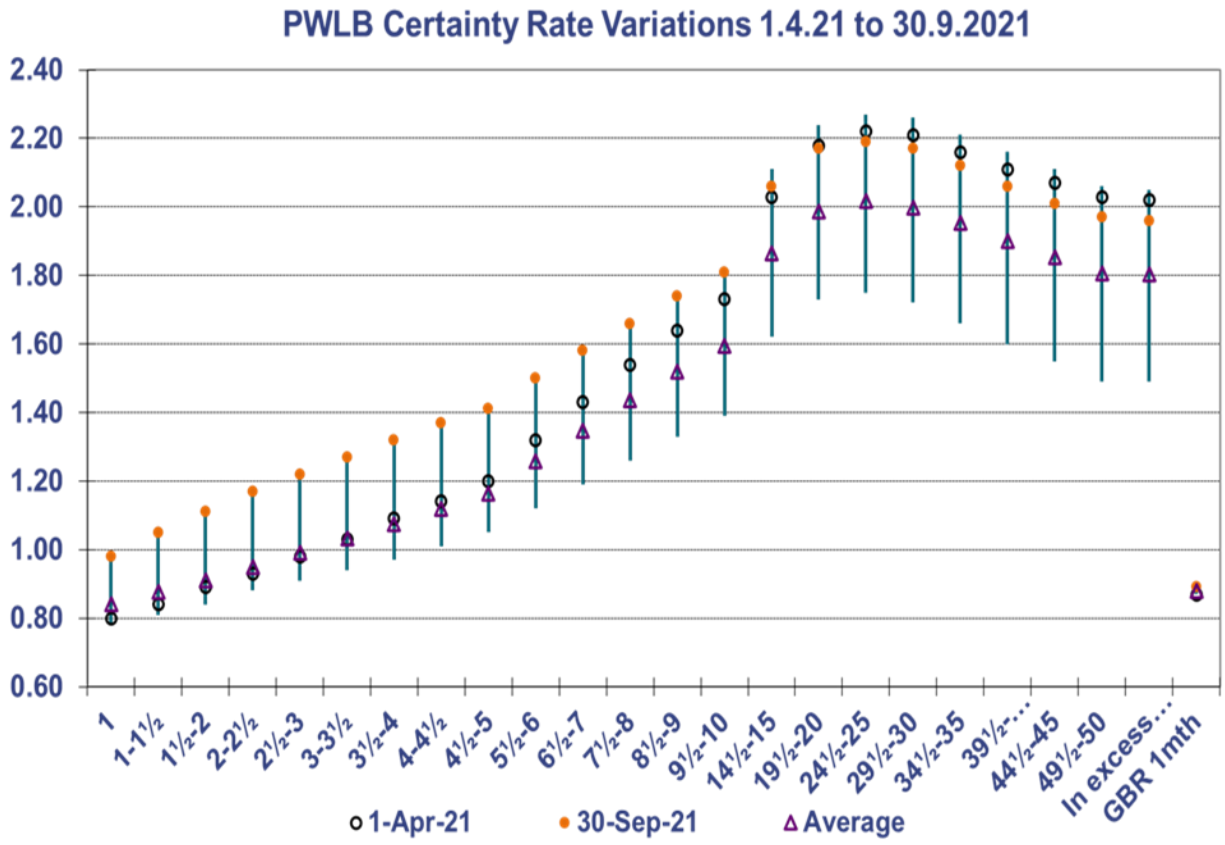
6.3 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. A full list of borrowing can be found in Appendix 2

6.4 PWLB rates were on a falling trend between May and August. However, they rose sharply towards the end of September before falling again during quarter 3 until rising once more in the last ten days of the year.

6.5 The 50 year PWLB target certainty rate for new long-term borrowing started 2021/22 at 1.90%, rose to 2.00% in May, fell to 1.70% in August, returned to 2.00% at the end of September after the MPC meeting of 23rd September.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.78%	1.05%	1.39%	1.75%	1.49%
Date	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
High	0.98%	1.42%	1.81%	2.27%	2.06%
Date	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
Average	0.84%	1.16%	1.60%	2.02%	1.81%
Spread	0.20%	0.37%	0.42%	0.52%	0.57%



7. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

8. Compliance with Treasury and Prudential Limits

8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. To the period ended 31st December 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021. The Assistant Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators

8.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

9. Annual Investment Strategy

9.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 16 March 2021. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital

- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the interest rate forecasts in section 2, it is currently impossible to earn the level of interest rates commonly seen in previous decades. However, rates have improved during quarter 3 of 21/22 and are expected to improve further as Bank Rate continues to increase over the next two years.

Creditworthiness.
Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

Investment Counterparty criteria
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices
Although CDS prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. **However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

10. Financial Implications

10.1 The financial implications of the borrowing and investment strategy are reflected in the financing adjustment figure included in the Financial Plan 2020/2025 approved at Council on 16 March 2021 and updated as reported in the Budget Monitoring reports.

11. Risk Management Implications

11.1 There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as prudential indicators and the treasury management strategy help to reduce the exposure of the Council to the market. The costs and returns on borrowing and investment are in themselves a reflection of risk as seen by the market forces.

12. Policy Implications

12.1 There are no changes in the Treasury Management policy at present.

13. Statutory Considerations

13.1 The Council must set prudential indicators and adopt a Treasury Management Strategy and Annual Investment Strategy.

14. Access to Information

The Budget 2020/2025 – The Financial Plan
Capital Programme 2020/2025
Treasury Management Strategy and Annual Investment Strategy 2021/2022
Budget Monitoring reports 2021/2022
Investment Portfolio Benchmarking Analysis
Capital Strategy 2021/2022

MPC meeting 24 September 2021

The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.

So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
Raising Bank Rate to 0.50% before starting on reducing its holdings.
Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
Once Bank Rate had risen to at least 1%, it would start selling its holdings.

COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.
German general election. With the CDU/CSU and SDP both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Interest Rate Forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View 29.9.21										
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 2023/24 and a third one to 0.75% in quarter 4 of 2023/24.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that supresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Gilt and treasury yields

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI

inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of "substantial further progress towards the goal of reaching full employment". However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

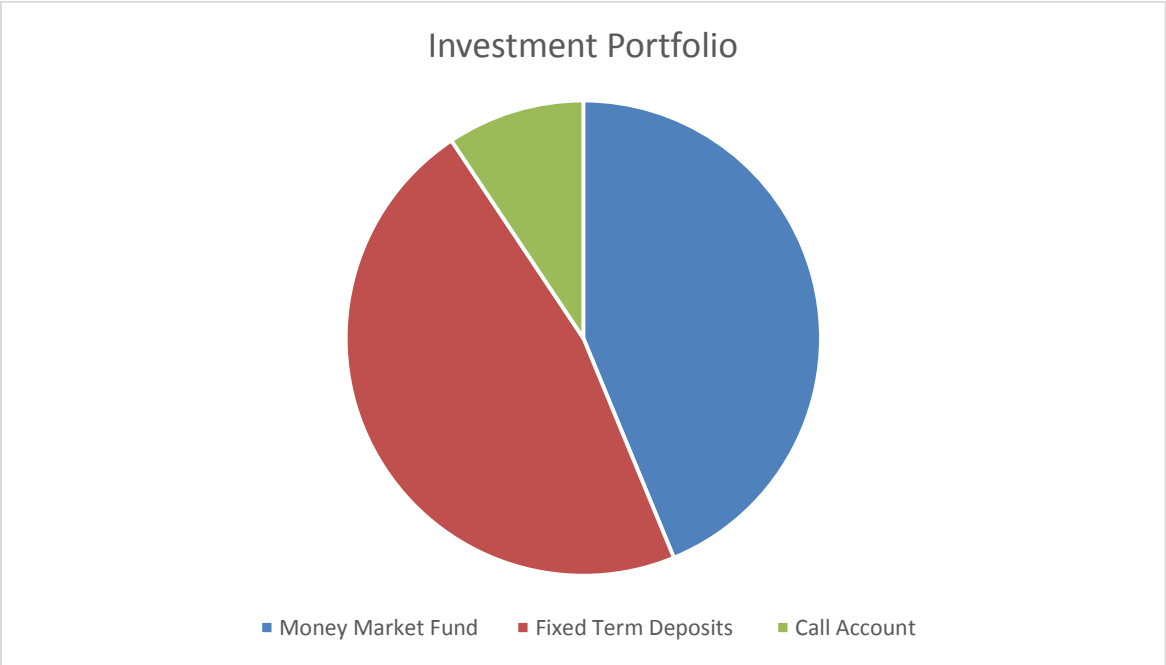
A new era – a fundamental shift in central bank monetary policy

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

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment Portfolio as at 31 October 2021 **APPENDIX 2**



Institution	Type	Principal £	Start Date	End Date	Rate %	Lowest Long Term Rating
Aberdeen Liquidity	Money Market Fund	4,000,000	N/A	N/A	0.010	AAA
BNP (Banque Nationale de Paris)	Money Market Fund	4,000,000	N/A	N/A	0.021	AAA
Federated PR	Money Market Fund	4,000,000	N/A	N/A	0.010	AAA
HSBC Liquidity	Money Market Fund	2,685,000	N/A	N/A	0.010	AAA
Blackpool Borough Council	Fixed Term Deposits	4,000,000	06/10/2021	06/04/2022	0.040	AA-
Goldman Sachs	Fixed Term Deposits	4,000,000	13/09/2021	11/03/2022	0.450	A+
Handlesbanken	Money Market Fund	4,000,000	N/A	N/A	0.000	AA-
National Bank of Kuwait	Fixed Term Deposits	4,000,000	14/10/2021	14/04/2022	0.240	AA-
Santander - Call Account	Call Account	4,000,000	01/06/2021	N/A	0.450	A+
SMBC Bank International	Fixed Term Deposits	4,000,000	14/10/2021	14/04/2022	0.160	A
Standard Chartered Bank	Fixed Term Deposits	4,000,000	16/07/2021	17/01/2022	0.110	A+
Total Investments		**42,685,000**				

*MMF – denotes Money Market Fund used for daily cash flow purposes.

Borrowing Portfolio as at 31 October 2021 **APPENDIX 3**

Institution	Principal £	Start Date	End Date	Rate
Barclays	5,000,000	22/03/2007	21/03/2077	3.81%
Barclays	5,000,000	12/04/2007	14/04/2077	3.81%
Total Long Term	**10,000,000**			

Prudential Indicators: **APPENDIX 4**

Net borrowing and the CFR	31/03/2021 Actual £m	31/10/2021 Actual £m
Borrowing	10.00	10.00
Investments	(16.00)	(42.69)
Net Position	**(6.00)**	**(32.69)**
Capital Financing Requirement	**38.57**	**61.12***
		*(Estimate for 2021/2022 year end)

In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2020/2021. This essentially means that the Council is not borrowing to support revenue expenditure. The Council has complied with this prudential indicator.

The Council's Capital Position and Associated Prudential Indicators

The capital programme 2021/2022 was updated for rephasing and amendments as part of the closedown of the accounts 2020/2021. The Capital Programme 2020/2021 was updated at Cabinet on 21st September 2021 and revised estimates are shown in the table below.

	Capital Programme 2021/22	Revised Budget as at 31st Oct 21	Actual as at 31st Oct 21
	£000	£000	£000
Major Projects	41,288	37,315	993
Community and Partnerships	2,752	2,695	1,118
Resources	431	431	24
Property and Projects	94	66	0
Operational and Commercial Services	2,899	1,358	734
Leisure and Community Facilities	1,261	198	0
Exempt Schemes	22,584	15,431	3,407
Total Including Exempt	**71,309**	**57,494**	**6,276**

Budget Related Prudential Indicators - Revised

	2021/22 Revised Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Expenditure	57,494	71,349	35,174	21,139
Capital Financing Requirement (CFR) as at 31 March	61,115	87,802	89,226	100,126

Ratio of financing costs to net revenue stream (Equals net treasury cost ie cost of borrowing less the income from investments divided by the total of Government grant and total council tax)	4.03	4.70	4.80	4.63

Authorised / Operational Limit for external debt

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Authorised /Operational Limit for external debt	66,000	68,000	80,000	79,000
Operational Boundary for external debt	61,000	63,000	75,000	74,000

- The Authorised Limit represents the maximum limit beyond which borrowing is prohibited and needs to be set and revised by Members.
- The Operational Boundary for External Debt is a working practice limit that is set lower than the Authorised Limit. In effect the authorised limit includes a degree of contingency in case of circumstances arising that take the limit above the operational limit.

Interest Rate Exposures (Limit on fixed and variable rate borrowing)

	2021/22 Upper %	2022/23 Upper %	2023/24 Upper %	2024/25 Upper %
Limits on fixed interest rates based on net debt	100%	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%	40%

Maturity Structure of fixed interest rate borrowing

	Lower	Upper	Portfolio Position as at 31 Oct 21
Under 12 months	0%	100%	0%
12 months to 2 years	0%	100%	0%
2 years to 5 years	0%	100%	0%
5 years to 10 years	0%	100%	0%
10 years and above	0%	100%	100.00%

FORWARD DECISIONS LIST

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
15 March 2022						
	Hackney Carriage and Private Hire Licensing Procedures and Conditions Review	Non	Council	Environment Assistant Director – S Ashworth		Public
	Custom and Self Build Site – Stoke Ferry	Non	Cabinet	Regeneration and Development Assistant Director - D Hall		Public
	Review of Legal Services	Key	Council	Leader Chief Executive		Private - Contains exempt Information under para 3 – information relating to the business affairs of any person (including the authority)
	Balloon and Lantern Policy	Non	Cabinet	Corporate Services and Environment Asst Director – M Chisholm		Public
	Asset Management – Land and Property	Key	Cabinet	Property Asst Dir Property and Projects		Private - Contains exempt Information under para 3 – information relating to the business affairs of any person (including the authority)
	Unreasonably Persistent Complainants Policy	Non	Council	Corporate Services Chief Executive		Public

	Setting up Bio Diversity Task Group	Non	Cabinet	Corporate Services/Environment Asst Dir – B Box		Public

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
6 April 2022						
	Guildhall Future Governance Options	Non	Council	Business, Culture and Heritage – G Middleton Asst Director – D Hall		Public
	Planning Scheme of Delegation/Sifting Panel	Non	Council	Development & Regeneration Asst Director S Ashworth		Public
	Lynnsport One	Key	Council	Regeneration & Development Asst Dir Companies & Housing Delivery – D Ousby		Private - Contains exempt Information under para 3 – information relating to the business affairs of any person (including the authority)
	Members Community Grants Fund	Non	Council	Leader Assistant to CEx		Public
	Review of Governance of Council Companies	Non	Cabinet	Leader Chief Executive		Public
	Freedom of the Borough - amendments	Non	Council	Leader Chief Executive		Public

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
21 June 2022						

	RIPA/non-RIPA policy and operating procedures	Non	Council	Leader Asst Dir		

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
2 August 2022						

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
20 September 2022						
	Procurement Strategy	Non	Cabinet	Finance Asst Dir – D Ousby		Public

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
15 November 2022						

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
17 January 2023						

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
7 February 2023						

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
7 March 2023						

Date of meeting	Report title	Key or Non Key Decision	Decision Maker	Cabinet Member and Lead Officer	List of Background Papers	Public or Private Meeting
18 April 2023						

Meetings in new year

	Notice of Motion 7-21 – Councillor Kemp – Equalities	Non	Council	Leader Asst Dir B Box		Public
	Housing Delivery Test Action Plan	Non	Cabinet	Development & Regeneration Asst Director S Ashworth		Public
	Five Year Housing Land Supply assessment	Non	Council	Development & Regeneration Asst Director S Ashworth		Public

AUDIT COMMITTEE WORK PROGRAMME 2021/2022

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
16 June 2021	Appointment of Vice Chair for the Municipal Year 2021/2022			To appoint a Vice Chair for the Municipal Year 2021/2022.
16 June 2021	Certification of Grant Claims and Annual Report for previous financial year	Annual		To receive the annual report from the previous financial year.
16 June 2021	Corporate Risk Register – Half Yearly Update	Update	G Greaves	To receive the half yearly update report
16 June 2021	Internal Audit Annual Report and Opinion covering the previous financial year	Annual	Audit Manager	To receive the annual report and opinion covering the previous financial year.
16 June 2021	Internal Audit Full Year Progress Report covering the previous financial year	Annual	Audit Manager	To receive the half-year progress report covering the previous financial year.
16 June 2021	Update on Audit Progress and Timetable	Update	Assistant Director	To receive an update.
16 June 2021	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
16 June 2021	Work Programme 2021/2022			To identify any items for the work programme.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
26 July 2021	Annual Governance Statement covering the previous financial year 2019/2020	Annual	G Greaves	To receive the draft Annual Governance Statement covering the previous financial year.
26 July 2021	Draft Statement of Accounts 2019/2020	Draft	M Drewery	To receive the draft statement of accounts.
26 July 2021	Quarterly Budget Monitoring	Quarterly	M Drewery	
26 July 2021	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
26 July 2021	Work Programme 2021/2022			To identify any items for the work programme.
26 July 2021	Exempt Report: Risk Based Verification – Changes to Policy	EXEMPT	Jo Stanton	
16 September 2021 - **Meeting Postponed to 12 October 2021**				
12 October 2021	Business Continuity Update	Annual - Update	G Greaves	To receive the annual update report.
12 October 2021	Insurance Claims		M Drewery	
12 October 2021	Revenue Outturn report		M Drewery	To receive the Revenue Outturn report.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
12 October 2021	Member Major Projects Board – Update	Update	Chair	To receive an update from the Chair.
12 October 2021	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
12 October 2021	Work Programme 2021/2022			To identify any items for the work programme.
22 November 2021	Internal Audit Half Year Progress Report	Progress	F Haywood/ J Hay	To receive the half year progress report.
22 November 2021	Fraud and Corruption Half Year Progress Report 2021/2022	Progress	J Hay	To receive the half year progress report.
22 November 2021	Public Sector Internal Audit Standards (PSIAS) Review Internal Audit Function		F Haywood	
22 November 2021	Future of the Audit Committee Cross Party Working Group		A Baker	To consider a report from the Monitoring Officer on the future of the Cross Party Working Group.
22 November 2021	Treasury Outturn Report 2019/20 and 2020/21		M Drewery/ C Holland	Training Session for Members will be held prior to consideration of this item
22 November 2021	Appointment of External Auditor		M Drewery	

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
22 November 2021	Budget Monitoring Report August 2021	Monitoring	M Drewery	
22 November 2021	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
22 November 2021	Work Programme 2021/2022			To identify any items for the work programme.
13 January 2022	**MEETING CANCELLED**			
28 February 2022	Risk Management Policy and Strategy Review	Review	G Greaves	
28 February 2022	Corporate Risk Register – half yearly update	Update	G Greaves	The Committee to receive the half yearly update report.
28 February 2022	Mid-Year Treasury Report	Mid-Year	M Drewery/ C Holland	The Committee to receive the mid-year report.
28 February 2022	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
28 February 2022	Work Programme 2021/2022			To identify any items for the work programme.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
29 March 2022	External Auditors' Report and ISA 260 for 2019/2020	Annual	External Auditors	To receive Audit opinion on the financial statements for the year and any recommendations.
29 March 2022	Statement of Accounts for 2019/2020	Annual	M Drewery	Training sessions to be scheduled prior to the meeting.
29 March 2022	Annual Governance Statement 2019/2020	Annual	G Greaves	
29 March 2022	Strategic External Audit Plan for the following Financial Year	Strategic	External Auditors	External Auditors to present the strategic external audit plan.
29 March 2022	Strategic Internal Audit Plan for the following Financial Year	Strategic	Internal Audit Manager	To receive the Strategic Internal Audit Plan for the following Financial Year.
29 March 2022	Draft Annual Governance Statement covering the current financial year	Annual – Draft	G Greaves	To receive the draft Annual Governance Statement for the current financial year.
29 March 2022	Governance of Major Projects – Quarterly Update	Quarterly Update	M Henry	
29 March 2022	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
29 March 2022	Work Programme			

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
11 April 2022	Cabinet Forward Decisions List			To identify any items to be considered by the Audit Committee.
11 April 2022	Work Programme 2022/2023			To identify any items for the work programme.

Potential Future Training Sessions

Alternatives for service delivery (services in house and those contracted out)
Companies and Structures
Corporate Risk Register

Forthcoming Items – Date to be Identified

External Auditors' Report and ISA 260 for 2020/2021 – External Auditors
Statement of Accounts for 2020/2021– M Drewery
Annual Governance Statement covering the financial year 2020/2021 – G Greaves
Additional Audit Work – RIPA Desktop Inspection and GDPR legislation
General overview on the Council's various sources of funding
Housing Benefit Subsidy Report
Internal Audit Terms of Reference
Audit Committee Terms of Reference (revised draft from 17 December 2020)
Audit Committee Effectiveness Report 2020/2021 (2019/2020 report went to AC 27 July 2020)
Risk Management Policy and Strategy Review
Record Retention and Disposal Policy Review
Governance of Major Projects – Quarterly Update (March/June/September/December)