

Governance Committee

Tuesday, 26th July, 2022, 6.00 pm

Shield Room, Civic Centre, West Paddock, Leyland PR25 1DH

Agenda

1 Apologies for absence

2 Declarations of Interest

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

3 Minutes of meeting Tuesday, 24 May 2022 of Governance Committee

(Pages 3 - 8)

Minutes of the meeting held Tuesday, 24 May 2022 are attached to be agreed as a correct record for signing by the Chair.

4 Audit Progress report and Sector Update

(Pages 9 - 20)

Report of the External Auditor attached.

5 Treasury Management - Annual Report (2021/22) & Quarter 1 Monitoring (2022/23)

(Pages 21 - 42)

Report of the Director of Finance and Section 151 Officer attached.

6 Draft Core Financial Statements 2021/22

(Pages 43 - 62)

Report of the Director of Finance and Section 151 Officer attached.

7 CIPFA Resilience Index 2020/21

(Pages 63 - 76)

Report of the Director of Finance and Section 151 Officer attached.

8 Strategic Risk Register

(Pages 77 - 104)

Report of the Deputy Chief Executive attached.

9 Centre for Governance and Public Scrutiny - Review

(Pages 105 - 116)

Report of the Director of Governance attached.

Gary Hall
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton, Alan Ogilvie, David Shaw, Margaret Smith and Kath Unsworth

The minutes of this meeting will be available on the internet at www.southribble.gov.uk

Forthcoming Meetings

6.00 pm Tuesday, 27 September 2022 - Shield Room, Civic Centre, West Paddock, Leyland PR25 1DH

Minutes of	Governance Committee
Meeting date	Tuesday, 24 May 2022
Committee members present:	Councillors Colin Sharples (Vice-Chair), Damian Bretherton, Derek Forrest, Margaret Smith, Alan Ogilvie and Kath Unsworth
Committee members attended virtually (non-voting):	Councillor Angela Turner
Officers present:	Gary Hall (Chief Executive), Louise Mattinson (Director of Finance and Section 151 Officer), Chris Moister (Director of Governance), Dawn Highton (Shared Service Lead- Audit & Risk), Jacqui Murray (Senior Auditor) and Coral Astbury (Democratic and Member Services Officer)
Other attendees:	Councillors Paul Foster, Keith Martin, Phil Smith and Karen Walton, Aniela Bylinski Gelder (attended virtually) and Mick Titherington (attended virtually)
Public:	0

1 Apologies for absence

Apologies were received from Councillors David Shaw and Ian Watkinson.

Councillor Forrest attended as substitute for Councillor Watkinson and Councillor Turner attended virtually as substitute for Councillor Shaw.

As the Chair submitted apologies for the meeting, Councillor Colin Sharples (Vice-Chair) chaired the meeting.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes of meeting Tuesday, 29 March 2022 of Governance Committee

Councillor Ogilvie referred to the previous minutes and requested that a copy be circulated to all members on committee highlighting the amended wording. The Democratic and Member Services Officer agreed to provide the amended minutes outside of the meeting.

Councillor Turner asked for a report detailing payments to suppliers, the Director of Governance agreed to provide the report outside of the meeting.

Resolved: (Unanimously)

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That the minutes be agreed as a correct record for signing by the Chair.

4 **Audit Progress Report and Sector Update**

The Council's External Auditors presented their report and advised that they had largely completed audit planning in preparation for the final audit on the financial statements. The External Auditor's advised that they had now certified the housing benefit claim to the Department for Work and Pensions (DWP) on 25 March.

The External Auditor advised they were proposing an additional fee of £35k in relation to the 2020/21 audit for two reasons. Due to the IT system upgrade some officers could not access the South Ribble System which resulted in delays providing information on transaction/balance listings. Most of the information was provided by 12-14 July. Secondly, the External Auditor faced delays with the valuer. All enquiries had been sent by the Auditor's to the Council by week commencing 23 August and initial responses were received from the valuer on 30 September, however insufficient information was provided. Further responses were not received until 15 October which delayed audit progress.

Members referred to the IT system upgrade and asked for reassurance that the issues were resolved and would not cause any further delay. In response, the Director of Finance advised that measures had now been put in place and reassurance would be given to Members from the Director of Customer and Digital. The Director of Finance explained that there was now a stable IT system which had been operating for some time.

In response to a member enquiry, the Director of Finance explained that the valuer had been away from work for some time due to bereavement. Measures had now been put in place for this year and all valuation reports had been completed for South Ribble. Progress was several months ahead in comparison to where it normally was.

Resolved: (Unanimously)

The committee note the report and approve the additional fee of £35k to the 2020/21 Audit.

5 **External Audit Plan 2021/22**

The Council's External Auditors presented their report and gave an overview of the External Audit Plan 2021/22. Three significant risks had been identified; management override of controls, valuation of land and buildings and valuation of net pension fund liability.

The External Auditors advised that the Council may have to produce consolidating and group accounts for the period, however they were still waiting assessment as to whether it was required. The External Auditor's were also assessing the establishment of the new subsidiary of South Ribble Leisure to establish whether consolidated accounts would need to be produced to report the group transactions and balances. The External Auditors had requested management provide an assessment of the impacts of group financial reporting considering requirements of the CIPFA code.

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Members sought clarification on management override of control and asked what would need to be done to fully satisfy the audit. In response, the External Auditor advised that it was a standard issue they would look to review as it was a required risk under the auditing standards. They would look at transactions which had been put through the system by Directors or Managers taking into consideration segregation of duties and authorisation of transactions.

In response to a member enquiry, the Chief Executive advised that assets were valued on a five yearly basis however, valuations would be undertaken sooner should the asset be involved in a transaction.

Resolved: (Unanimously)

That the report be noted.

6 Management responses to External Audit Planning Enquiries 2021/22

The committee considered a report of the Director of Finance and Section 151 Officer which presented the management responses providing to the planning enquiries made by the External Auditors, Grant Thornton, as part of the 2021/22 statutory accounts. Members were asked to review and approve the responses.

The Director of Finance explained that the responses related to the External Auditors Audit for 2021/22 wherein further information had been sought. Appendix A was the response given to the auditors and picked up key issues such as appropriateness of accounting policies and information regarding significant transactions. Appendix B focused on accounting estimates.

In response to a member enquiry, it was confirmed that the authority has two RICS qualified surveyors who were capable of doing building valuations.

The External Auditor confirmed that they would corroborate and challenge officers to ensure the responses given were robust and accurate.

Members asked if South Ribble Leisure would require a separate audit. In response, the External Auditor explained that an assessment was still to be made by management and provided to the auditor's. Once the assessment had been undertaken the External Auditors would consider it and decide whether it was appropriate and compliant with the CIPFA code. The Service Lead (Audit and Risk) provided further assurance and advised that Internal Audit had already undertaken one audit on South Ribble Leisure in 2022 and were planning to complete four additional audits in 2023. Internal Audit were working with the board of directors to look at the governance arrangements to ensure governance arrangements were robust.

The Chief Executive advised members that internal audit reports for South Ribble Leisure would be presented to Cabinet for consideration as they fulfil the function of shareholder.

Resolved: (Unanimously)

The committee approve the management responses to the auditors enquiries.

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7 Internal Audit Annual Report and Opinion 2021-2022

The Service Lead (Audit and Risk) presented a report which summarised the work undertaken by the Internal Audit service during 2021/22. The report also gave an opinion as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Service Lead (Audit and Risk) advised the overall adequacy and effectiveness of the Council's governance, risk management and control processes are adequate. Significant progress had been made over the past twelve to eighteen months and a lot of new policies introduced. There needed to be opportunity now for the new policies to embed.

Members noted that Internal Audit had undertaken 21 reviews during 2021-22, however there were two reviews unable to be undertaken for various factors. The Service Lead (Audit and Risk) advised the original internal audit plan contained two IT reviews, however given the ongoing work with the digital strategy it was not prudent to carry out the reviews at the time. These reviews would now be completed between October 2022 – March 2023.

The Service Lead (Audit and Risk) provided that Internal Audit had also re-achieved ISO9001.

Members thanked the Service Lead (Audit and Risk) for a comprehensive and objective report.

In response to a member enquiry, the Service Lead (Audit and Risk) explained that the External Auditor would have indirect sighting of GRACE as each audit report included the risks recorded on the system.

Members sought clarification on how assurance ratings could be improved by individual services, the Service Lead (Audit and Risk) explained that adequate ratings could be given for reasons such as re-introduction of controls, resourcing issues or new system implementations where the service could demonstrate they were strengthening the control environment. Alternatively, management actions are agreed following the audit for the service to implement and to improve.

Members noted the two IT reviews to be undertaken later in the year and asked if it would be better to bring forward their reviews. Members were advised that internal audit were to provide assurance that controls of systems were working effectively and it wouldn't be best use of resource to review a service with known issues. IT were being given time to fix issues and embed new controls and would be assessed at a later stage.

Resolved: (Unanimously)

That the report be noted.

8 Review of the effectiveness of Internal Audit 2022

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The committee considered a report of the Service Lead (Audit and Risk) which provided the results of the self-assessment carried out by Internal Audit against the requirement of Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

The Service Lead (Audit and Risk) explained that there are 134 aspects of conformance, of which full conformance had been achieved for 128. There are five areas which are not applicable to the Internal Audit Service with only one partial conformance in relation to fraud which is featured in the Annual Governance Statement. Internal Audit also has to be externally verified with this next due in January 2023, the self-assessment would be considered to ensure it is accurate.

Members asked how many days it took to prepare the report and if it was included in the audit plan. In response, the Service Lead (Audit and Risk) explained it would normally take a day and half to go through, with the review more resource intensive the first time it is undertaken. After that, it was a case of maintaining the review and keeping it up to date. The review was included as non-chargeable time and was separate to the audit plan.

Resolved: (Unanimously)

That the report be noted.

9 Draft Annual Governance Statement

The Director of Governance and Monitoring Officer presented a report which presented the Annual Governance Statement (AGS) for 2021/22 and sought approval to be recommended to the Leader and Chief Executive for signing.

The Director of Governance explained the AGS had been prepared in accordance with CIPFA/SOLACE guidance and drawn from numerous evidence sources which were identified within the document. The AGS had now been condensed and simplified to make it easier to understand.

Members thanked the Director of Governance for the shorter AGS and asked for more information on the Local Government Ombudsman investigation which required an apology from the Council. In response, the Director of Governance advised he would provide the information to members outside of the meeting.

Members referred to the Peer Review and asked how political parties could work together better. The Director of Governance explained that officers could try resolve some of the issues to be perceived which would assist. However, the Centre for Governance and Public Scrutiny would be undertaking a piece of work which would review some of the arrangements in place in relation to meetings and how the council operates. This would identify issues or improvements. The Director of Governance would also work with groups and members around the code of conduct, which was currently under review, and would look to simplify the standards regime to provide clarity and flexibility. A number of actions were taking place.

Resolved: (Unanimously)

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That the Annual Governance Statement be approved as a correct statement of the Council's governance environment and be recommended to the Leader and Chief Executive for signature.

Chair

Date

South Ribble Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2022

July 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2022

Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in March and April 2022. We expect to begin our work on your draft financial statements in August.

Our interim fieldwork includes:

- Updating our review of the Authority's control environment
- Updating our understanding of financial systems
- Reviewing Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

In May we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2022.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that comes into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 is extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report in November 2022.

Progress at July 2022 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in November. DWP extended the deadline for reporting the findings of this work to 28 February 2022. We completed our work and reported to DWP on 25 March 2022. This was late than the deadline as we identified an error that required additional testing.

Meetings

We met with Finance Officers in July as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We also met with your Chief Executive in July to discuss the Authority's strategic priorities and plans.

We have also provided training to your finance team with a view to helping the audit progress smoothly this year. This included detail around the standard of audit evidence required. We continue to liaise with finance officers to try to ensure an efficient audit for 2021/22.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2021/22 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to report on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

May 2022

Status

Completed

Audit Findings Report

The Audit Findings Report will be reported to the November Audit Committee.

November 2022

Not yet due

Auditors Report

This includes the opinion on your financial statements.

November 2022

Not yet due

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

November 2022

Not yet due

2021/22 Audit-related Deliverables

Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

Planned Date

December 2022

Status

Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

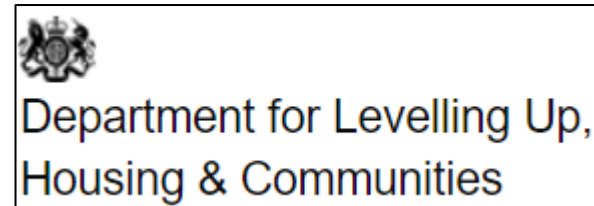
Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, Internal Audit: Untapped Potential, lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, Rob Whiteman share his views on this report.



Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

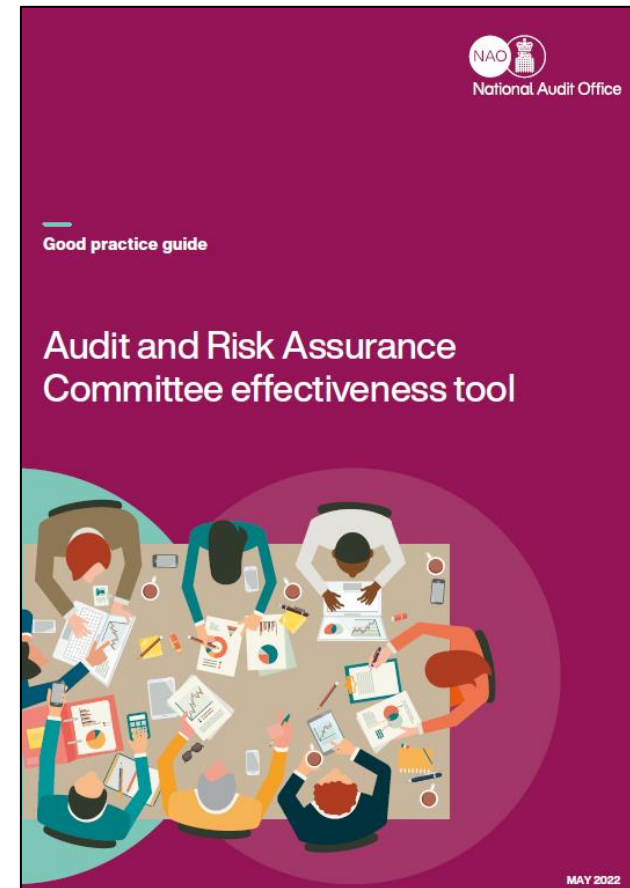
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)

Guide for audit and risk committees on financial reporting and management during COVID-19 – NAO

The National Audit Office (NAO) has published this guide which aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak

The NAO comment “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The guide includes sections on:

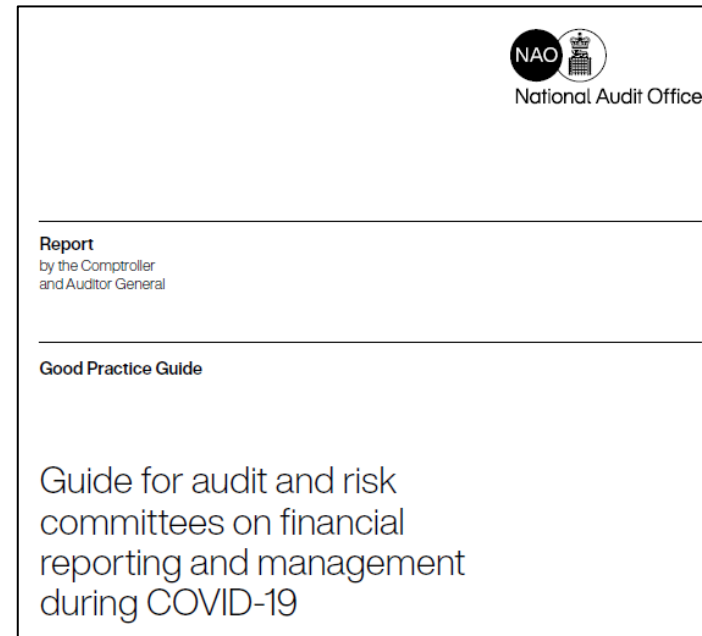
- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure

The guide can be found here:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

The guide includes a number of key questions covering areas such as:

- Property valuations
- Pension scheme valuations
- Completeness of liabilities
- Events after the reporting period
- Control environment
- Fraud and error





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Report of	Meeting	Date
Director of Finance and Section 151 Officer	Governance Committee	Tuesday, 26 July 2022

TREASURY MANAGEMENT ANNUAL REPORT 2021/22 AND JUNE QUARTER MONITORING 2022/23

Is the report confidential ?	No
Is the decision key ?	No

Purpose of the Report

- To present the outturn for Treasury Management activity in financial year 2021/22 and monitoring information in respect of the first quarter of 2022/23.

Recommendations to Governance Committee

- Members are asked to note the report.

Reasons for recommendations

- Production of an Annual Report is a requirement under the Treasury Management Code of Practice.

Other options considered and rejected

- Not applicable.

Corporate priorities

- The report relates to the following corporate priorities: (please bold all those applicable):

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Agenda Item 5

EXECUTIVE SUMMARY

6. The report summarises Treasury Management activity and performance against approved indicators over the financial year 2021/22 and in the first three months of 2022/23, across the following headings:
 - Capital Expenditure And Financing (paragraphs 11-13)
 - Overall Borrowing Need (paragraphs 14-26)
 - Treasury Position As At 31 March 2021 (paragraphs 27-31)
 - Investment Performance 2021/22 (paragraphs 32-39)
 - Monitoring June Quarter 2021/22 (paragraphs 40-42)
 - Advice of Link Asset Services (paragraphs 43-45)

7. Key points to note are:
 - The Council's actual capital expenditure for the year was fully financed (paragraph 13/Table 2).
 - The financing requirement for capital expenditure was £1.307 million.
 - 2021/22 has seen a number of rises in the Bank of England's Base Rate; originally 0.10%, this was raised to 0.25% (Dec 21); 0.50% (Feb 22) and finally 0.75% in March 2022.
 - In 2021/22, the Council had an average investment balance of £58.294m and earned interest on this of £86.8k (0.15%). This exceeded the target rate of 0.10% (paragraphs 32-39).
 - At the end of June 2022, the average investment balance over the first quarter of the financial year was £54.017m, on which interest of £72k (0.54%) had been earned, reflecting the continuing exceptionally low level of interest rates (paragraphs 40-42).

BACKGROUND TO THE REPORT

8. The Treasury Strategy for 2021/22 to 2023/24 was approved by Council on 24 February 2021. The strategy included prudential and treasury indicators, the treasury management strategy, the annual investment strategy, and the annual Minimum Revenue Provision (MRP) Policy.
9. A mid-year review of Treasury Management activity was presented to Governance Committee on 24 November 2021.
10. The prudential and treasury indicators for 2021/22, approved as part of the Treasury Management Policy Statement for 2021/22 remained unchanged throughout the year and all comparisons made in this report are based on those same indicators.

Agenda Item 5

THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

11. The Council undertakes capital expenditure on long-term activities. These activities may either be:
- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
 - if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
12. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for 2021/22.

Table 1 – Capital Expenditure 2021/22	2021/22 Estimate £'000	2021/22 Revised £'000	2021/22 Actual £'000	2021/22 Variance £'000
Good homes, green spaces and healthy places	10,338	8,894	5,107	(3,787)
A fair economy that works for everyone	2,200	2,191	588	(1,603)
Thriving Communities	350	298	296	(2)
An exemplary Council	2,926	1,942	1,818	(124)
TOTAL CAPITAL EXPENDITURE	15,814	13,325	7,809	(5,516)

Additional analysis of the schemes included in the 2021/22 Capital Programme was presented to Cabinet on 20 June 2022 in the report 'Revenue and Capital Budget Monitoring 21-22 Outturn'.

13. Financing of the capital expenditure is shown in the following table.

Table 2 – Capital Financing 2021/22	2021/22 Estimate £'000	2021/22 Revised £'000	2021/22 Actual £'000	2021/22 Variance £'000
Capital Expenditure (from Table 1)	15,814	13,325	7,809	(5,516)
Capital Receipts	(0)	(70)	(185)	(115)
Grants & Contributions	(1,420)	(4,494)	(2,396)	2,098
Revenue & Reserves	(5,472)	(5,733)	(3,921)	1,812
NET FINANCING NEEDED FOR YEAR	8,922	3,028	1,307	(1,721)

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THE COUNCIL'S OVERALL BORROWING NEED

14. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the unfinanced capital expenditure in the current year, plus unfinanced capital expenditure from prior years which has not yet been paid for by revenue or other resources. The CFR includes any Other Long Term Liabilities, and in particular finance leases. Such leases increase the CFR, but incorporate a borrowing facility, provided by the lessor, so the Council is not required to borrow separately for these schemes.
15. Part of the Council's treasury activity is to address the funding requirement for its borrowing need. Depending on the capital expenditure programme, the Council's cash position is organised to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB), or the money markets), or utilising temporary cash resources within the Council. **In 2021/22 it did not prove necessary to borrow for this purpose.**
16. The CFR is not matched in full by external borrowing, so the Council is said to have under borrowed by using its own cash balances to finance capital expenditure. There is some loss of interest as a result, but had external loans been taken the interest payable would have been at a higher rate. Use of the Council's own cash helps to achieve savings in net interest.
17. The Council's underlying borrowing need is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can be borrowed and repaid, but this does not change the CFR.
18. The total CFR can also be reduced by:
 - the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
19. The 2021/22 MRP Policy (as required by MHCLG Guidance) was approved by Council as part of the Treasury Strategy 2020/21 to 2023/24 on 24 February 2021.
20. The Council's CFR for the year is shown in Table 3 below and represents a key prudential indicator.

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Table 3 – Capital Financing Requirement 2021/22	2021/22 Estimate £'000	2021/22 Revised £'000	2021/22 Actual £'000	2021/22 Variance £'000
Opening CFR	2,380	2,500	2,500	0
Net financing need for the year (Table 2)	8,922	3,028	1,307	(1,721)
Less MRP / VRP	(299)	(298)	(298)	0
Closing CFR	11,003	5,230	3,509	(1,721)

See also Note 35 Capital Expenditure and Financing in the Statement of Accounts 2021/22.

21. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
22. **Gross borrowing and the CFR.** In order to ensure that borrowing levels are prudent over the medium term and are only for capital purposes, the Council ensures that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2020/21) plus the estimates of any additional CFR for the current (2021/22) and the next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator would allow the Council some flexibility to borrow in advance of its immediate capital needs, but **this facility was not required in 2021/22.**

Table 4 – Portfolio Position	2021/22 Estimate £'000	2021/22 Revised £'000	2021/22 Actual £'000	2021/22 Variance £'000
Debt at 1 April	0	0	0	0
Other Long Term Liabilities (OLTL)	0	0	0	0
Total Gross Debt 1 April	0	0	0	0
Change in Debt	4,461	0	0	0
Change in OLTL	0	0	0	0
Change in Gross Debt	4,461	0	0	0
Gross Debt 31 March	4,461	0	0	0
Capital Financing Requirement (Table 3)	11,003	5,230	3,509	(1,721)
Under / (Over) Borrowing	6,542	5,230	3,509	(1,721)

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23. **The authorised limit.** This is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The original limit set by Council on 24 February 2021 was £7.500m. Once this has been set, the Council does not have the power to borrow above this level, except that, under s5 of the Act, the authorised limit may be treated as increased in relation to any payment which:
- is due to the authority which has not yet been received by it, and
 - was not a delayed receipt of a payment which was taken into account when the limit was first arrived at.
24. The Council has maintained gross borrowing within its authorised limit.
25. **The operational boundary.** This is the expected borrowing position of the Council during the year. Periods where the actual position is either below or above the boundary are acceptable subject to the authorised limit not being breached. The operational boundary set for 2021/22 was £4.500m.
26. **Actual financing costs as a proportion of net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the revenue stream (council tax, business rates, and various Government grants).

Table 5 – Ratio of Financing Costs to Net Revenue Stream	2021/22 Estimate %	2021/22 Revised %	2021/22 Actual %	2021/22 Variance %
Ratio	3.43	0.71	1.48	0.77

The increase compared to the revised estimate is attributable to the fall in investment income (which is netted off against MRP/VRP to produce the figure for net financing costs).

TREASURY POSITION AS AT 31 MARCH 2022

27. The Council’s treasury management debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities. Gross debt is shown in Table 4, and Investments (including Cash and Cash equivalents but excluding accrued interest) are shown in Table 6.

Table 6 – Year End Resources 2021/22	2021/22 Estimate £'000	2021/22 Revised £'000	2021/22 Actual £'000	2021/22 Variance £'000
Core Funds / Working Balances	(43,378)	(52,259)	(59,663)	(7,404)
Under / (over) borrowing (Table 4)	6,542	5,230	3,509	(1,721)
Investments	(36,836)	(47,029)	(56,154)	(9,125)

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28. A detailed analysis of Short Term Investments and Cash and Cash Equivalents is presented as Appendix A. Term Deposits by counterparty are shown in Table 7.

Table 7 – Summary of Term Deposits by Counterparty 31 March 2022	Type	Amount 31 March 22 £'000	Limit £'000
Eastleigh BC	Term	4,000	6,000
Goldman Sachs	Term	4,000	6,000
Helaba	Term	4,000	6,000
Plymouth City Council	Term	5,000	6,000
Blackpool BC	Term	5,000	6,000
DMADF (Debt Management Office)	Term	4,000	4,000
Fixed term Deposits Sub-Total		26,000	

29. All counterparty limits were adhered to throughout 2021/22.
30. Appendix B presents the approved limits for 2021/22.
31. Council approved that a maximum of £6m should be invested with any single UK local authorities for more than 365 days and up to two years. No sums were invested for more than 365 days.

Table 8 – Maximum Principal Sums Invested >365 Days 2021/22	2021/22 Estimate £'000	2021/22 Revised £'000	2021/22 Actual £'000
UK Government	0	0	0
UK Local Authorities	6,000	6,000	0
UK Banks & Building Societies	0	0	0
Non-UK Banks	0	0	0
Total	6,000	6,000	6,000

INVESTMENT PERFORMANCE 2021/22

32. Investment returns dropped to historically exceptionally low levels from late March 2020 onwards and remained there throughout 2020/21. Whilst the Bank of England base rate increased from 0.10% to 0.75% throughout 2021/22, this did not translate to higher investment yields with an average yield of just 0.15% being achieved.
33. Given the low returns available compared to borrowing rates, the Council has continued to achieve budget savings by maintaining a position of under borrowing, which means

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that it has used its own cash balances to finance capital expenditure rather than taking additional external loans.

34. **Investment Policy.** The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by Council for 2021/22. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as ratings outlooks, credit default swaps, banks share prices etc.). Link Asset Services, the Council's treasury advisors, provide suggested investment durations for the approved counterparties. From time to time, suggested durations reduce after a term deposit has been placed, for instance from twelve to six months, but this did not occur during 2021/22.
35. Investment performance for 2021/22 is presented in Table 9.

Table 9 – Investment Performance 2021/22	Average Daily Investment £'000	Interest £	Average Rate %
Debt Management office	10,640	5,249	0.05
Other Fixed Term Deposits	17,090	31,029	0.18
Notice Accounts	12,000	39,649	0.33
Call Accounts	3,600	924	0.03
Money Market Funds	14,964	9,907	0.07
TOTAL	58,294	86,758	0.15

36. The average return of 0.15% in 2021/22 compares to the 0.36% achieved in 2020/21, and reflects both the generally exceptionally low level of returns and the specific difficulties experienced in placing fixed term deposits with other local authorities. This in turn reflects the unusual patterns of local authority cash flows in 2021/22, resulting from Government measures to address the impacts of the pandemic. In general terms, this has meant that most authorities have had higher cash balances than would usually have been the case, so fewer have had short-term borrowing needs.
37. The Council has itself felt the effect of this, with the average daily balance of £58.294m shown above being 16% higher than the 2020/21 figure of £50.089m. This has slightly mitigated the loss in interest earned, with the total of £87k being down by 51% compared to the £177k earned in 2020/21, whereas the average interest rate (see above) was down by 58%.
38. The Council would usually only rarely place money with the Debt Management Office, and then only for very short periods (typically just one or two days), because the interest rates offered would be significantly lower than those available elsewhere. However, throughout 2021/22, the need to keep funds available at short notice to deal with the

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unusual pattern of major cash flows, together with the lack of alternative investment opportunities, has led to more extensive use being made of this facility, with a daily average investment with the DMO of £10.640m. The effect of this on investment returns has, however, not been especially marked, because the generally low levels of interest rates available elsewhere has reduced the differential between these and DMO rates.

39. The original earnings target for 2021/22, set in February 2021, was 0.10%, this was confirmed in the half-yearly update in November 2021. Despite the challenges of sourcing investment opportunities, **the target has been exceeded in 2021/22.**

MONITORING QUARTER 1 2022/23 – 3 months to 30th June 2022

40. **Borrowing.** No borrowing was entered into in the first quarter of 2022/23.
41. **Investments as at 30 June 2022** are presented in Appendix D. Cash balances available to invest fluctuate throughout the year, depending on the timing of receipts and payments. The balance of £55.382m was £3m (5.4%) lower than the £58.533m at 30 June 2021. This is principally because of the impact of measures introduced in response to the pandemic, which have resulted in some major cash flows both in and out. The average daily balance was £54.017m, earning interest of £72k (0.54%).
42. **Prudential and Treasury Indicators and Investment Counterparty Limits** remain unchanged from those approved by Council on 23 February 2022 and there are no current proposals for any changes. Appendix E presents the counterparty limits for 2022/23.

ADVICE OF LINK ASSET SERVICES

43. Link Asset Services' review of the Economy and Interest Rates in 2021/22 is presented as Appendix C.
44. A detailed economic commentary on developments during the quarter ended 30 June 2022 is presented as Appendix F.
45. Appendix G is a detailed commentary on interest rate forecasts.

Climate change and air quality

46. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

47. Not applicable

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Risk

48. Regular monitoring and reporting of the Council's Treasury Management position ensure compliance with Prudential Indicators and the Treasury Management Code of Practice.

Comments of the Statutory Finance Officer

49. There are no direct financial implications arising from this report. All financial implications in respect of treasury management activity arise as a result of the annual Treasury Strategies for 2021/22 and 2022/23 approved previously by Council. This report presents details of actual performance achieved as a result of implementing the approved strategies. Variances from the revised budgets for interest receivable and payable for 2020/21 were reflected in the report 'Revenue and Capital Budget Monitoring 21-22 Outturn', presented to Cabinet on 20 June 2022.
50. In March 2020 the government consulted on revising the PWLB's lending terms to end the situation in which a minority of local authorities used PWLB loans to support the acquisition of investment assets primarily for yield.
51. In November 2020, the government published its response to this consultation and implemented these reforms.
52. The Council is compliant with the latest PWLB reforms.

Comments of the Monitoring Officer

53. Presentation of this report is required to comply with the CIPFA Code of Practice on Treasury Management in the Public Services (2017 edition).

Background documents

- CIPFA Treasury Management in the Public Services: Code of Practice & Cross-Sectoral Guidance Notes (December 2017 edition)
- CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (July 2018 edition)
- CIPFA Prudential Code for Capital Finance in Local Authorities (December 2017 edition)
- CIPFA Standards of Professional Practice: Treasury Management
- MHCLG Guidance on Local Government Investments
- MHCLG Guidance on Minimum Revenue Provision
- Treasury Management Policy Statement 2021/22 to 2024/25 (Council 24 February 2021)

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- Treasury Management Policy Statement 2022/23 to 2025/26 (Council 23 February 2022)

Appendices

Appendix A: Investments as at 31 March 2022

Appendix B: Investment Counterparties 2021/22

Appendix C: Link Asset Services' review of the Economy and Interest Rates 2021/22

Appendix D: Investments as at 30 June 2022

Appendix E: Investment Counterparties 2022/23

Appendix F: Link Asset Services' Economic Commentary 2022/23

Appendix G: Link Asset Services' commentary on Interest Rates 2022/23

Appendix H: Glossary of Terms

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APPENDIX A

List of Investments as at 31/03/22

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
Eastleigh BC	Term	4,000	0.04%	29-Nov-21	30-May-22
Goldman Sachs	Term	4,000	0.82%	01-Feb-22	01-Aug-22
Helaba	Term	4,000	0.64%	02-Feb-22	02-Aug-22
Plymouth City Council	Term	5,000	0.08%	09-Sep-21	25-Aug-22
Blackpool BC	Term	5,000	0.08%	28-Oct-21	20-Sep-22
Fixed Term Deposit sub total		22,000	Listed in Order of Maturity		
DMADF	Term	4,000	0.55%	30-Mar-22	06-Apr-22
Debt Management Office sub total		4,000			
Santander UK PLC	180 Day Notice	6,000	0.40%	15-Mar-16	n/a
Bank of Scotland	175 Day Notice	6,000	0.06%	30-Nov-17	n/a
Notice Accounts sub total		12,000			
Barclays Fibca Deposit Account	Call	3,154	0.01%	On Call	
Call Accounts sub total		3,154			
Federated	MMF	5,000	0.51%	On Call	
Aberdeen Standard	MMF	5,000	0.51%	On Call	
Blackrock	MMF	5,000	0.53%	On Call	
Money Market Funds sub total		15,000			
Total		56,154			

Notes

(1) MMF rates are variable. This is the calculated average for the year to March

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APPENDIX B

Investment Counterparties 2021/22

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts / Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £6m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£6m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£6m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£5m per fund

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

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APPENDIX C

UK Economy. Over the last two years, the coronavirus outbreak has had a significant impact on the UK and global economies. 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 until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy began to return to business-as-usual through 2021/22 with robust GDP (9% y/y Q1 2022), however this was coupled with rising inflation in the UK and globally.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have improved in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the pressure on real household disposable incomes arising from NI increases, global energy and general price increases continues to provide challenges as inflation continues to rise.

Average inflation targeting. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". However supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the pressure on disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having risen to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said "we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation."

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a "technical" recession because its

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GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however with the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 was impacted by a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies. It is, therefore, 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 (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

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APPENDIX D

List of Investments as at 30/06/22

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
Goldman Sachs	Term	4,000	0.82%	01-Feb-22	01-Aug-22
Helaba	Term	4,000	0.64%	02-Feb-22	02-Aug-22
Plymouth City Council	Term	5,000	0.08%	09-Sep-21	25-Aug-22
Blackpool BC	Term	5,000	0.08%	28-Oct-21	20-Sep-22
Fixed Term Deposit sub total		18,000	Listed in Order of Maturity		
DMADF	Term	4,000	0.97%	31-May-22	01-Jul-22
DMADF	Term	4,000	1.03%	30-Jun-22	04-Jul-22
Debt Management Office sub total		8,000			
Santander UK PLC	180 Day Notice	6,000	0.40%	15-Mar-16	n/a
Bank of Scotland	175 Day Notice	6,000	1.01%	30-Nov-17	28-Dec-22
Notice Accounts sub total		12,000			
Barclays Fibca Deposit Account	Call	2,432	0.20%	On Call	
Call Accounts sub total		2,432			
Federated	MMF	4,950	1.12%	On Call	
Aberdeen Standard	MMF	5,000	1.08%	On Call	
Blackrock	MMF	5,000	1.07%	On Call	
Money Market Funds sub total		14,950			
Total		55,382			

Notes

(1) MMF rates are variable. This is the calculated average for the year to March

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APPENDIX E

Investment Counterparties 2022/23

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts / Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £6m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£6m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£6m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£5m per fund

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

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APPENDIX F

Economics Update 2022/23 - The balance of risks to the UK economy: -

The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- The Bank of England acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, Iran, China, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- The pound weakens on the back of UK/EU trade friction resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields continue to rise strongly and pull gilt yields up higher than forecast.

LINK GROUP FORECASTS

We now expect the MPC to swiftly increase Bank Rate during 2022 and 2023 to combat the sharp increase in inflationary pressures. We do not think that the MPC will embark on a series of increases in Bank Rate that would take it to more than 2.75%.

Link Group - Updated Interest Rate Forecasts (21/6/22)

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

Link Group Interest Rate View 10.5.22													
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10
5 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
10 yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80
25 yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00
50 yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70

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APPENDIX H

Glossary of Terms

Authorised Limit –represents the limit beyond which borrowing is prohibited, and needs to be set and revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate – the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Capital expenditure – material expenditure on capital assets, such as land and buildings, capitalised in accordance with regulations.

Capital Financing Requirement (CFR) – the level of capital expenditure to be financed from borrowing. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision (MRP) mechanism.

CIPFA – Chartered Institute of Public Finance and Accountancy

Counterparty – the other party involved in a borrowing or investment transaction.

Credit Rating – a qualified assessment and formal evaluation of the credit history and capability of repaying obligations of an institution (bank or building society). It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time. Ratings are prepared by Finch, Moody's and Standard & Poor's, and these are monitored by Link Asset Services.

Gilt - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

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Liquidity – the ability of an asset to be converted into cash quickly and without any price discount. The more liquid an organisation is, the better able it is to meet short term financial obligations.

LIBID – London Interbank Bid Rate - the interest rate at which London banks ask to pay for borrowing Eurocurrencies from other banks. Unlike LIBOR, which is the rate at which banks lend money, LIBID is the rate at which banks ask to borrow. It is not set by anybody or organisation, but is calculated as the average of the interest rates at which London banks bid for borrowed Eurocurrency funds from other banks. It is also the interest rate London banks pay for deposits from other banks.

LVNAV MMF (Low Volatility Net Asset Value MMF) - a type of fund categorised as a Short Term MMF. Units in the fund are purchased or redeemed at a constant price, as long as the value of the assets in the fund do not deviate by more than 0.2% from par.

MHCLG – Ministry of Housing, Communities and Local Government (formerly DCLG)

Minimum Revenue Provision (MRP) - is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by borrowing. MRP is required even when borrowing is internal rather than external.

Monetary Policy Committee (MPC) – independent body which determines the Bank Rate.

Money Market Fund (MMF) - mutual fund that invests only in highly liquid instruments such as cash, cash equivalent securities, and high credit rating debt-based securities with a short-term, maturity—less than 13 months. As a result, these funds offer high liquidity with a very low level of risk.

Operational Boundary – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an early warning indicator to ensure the Authorised Limit is not breached.

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Prudential Code – the Local Government Act 2003 requires the Council to ‘have due regard’ to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. The Prudential Code is published by CIPFA.

PWLB – Public Works Loan Board. An institution managed by the Government to provide loans to public bodies at rates which reflect the rates at which the government is able to sell gilts.

Revenue expenditure – day to day items which may not be capitalised without a Government direction, including employees’ pay, transport and premises costs, supplies and services, and benefits.

Report of	Meeting	Date
Director of Finance and Section 151 Officer	Governance Committee	Tuesday, 26 July 2022

Draft Core Financial Statements 2021/22

Is this report confidential?	No
------------------------------	----

Is this decision key?	No
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Purpose of the Report

1. To present members with the Draft Core Financial Statements for 2021/22, together with key supporting Notes, and to advise Members in respect of the statutory requirements for signature, audit, inspection and publication of the Statement and Members' role in the process leading up to the formal submission of the SOA for approval by the 30th September 2022, following completion of the external audit.

Recommendations to Governance Committee

2. Members are asked to note the report.

Reasons for recommendations

3. Completion of the Financial Statements is a statutory obligation.

Other options considered and rejected

4. The Financial Statements are prepared in the form required by accounting standards and by statutory regulations. There are therefore no alternative approaches that can be adopted.

Corporate priorities

5. The report relates to the following corporate priorities: (please bold all those applicable):

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Agenda Item 6

Background to the report

6. The council is required to publish its draft (unaudited) Statement of Accounts for 2021/22 by 31st July 2022, followed by the audit of the accounts and the consideration for approval, by this Committee, of the final version by 30th September 2022. The following paragraphs set out the framework for the timescales and process involved.

Timescales and process for publication and approval of the Statement of Accounts

7. The Accounts and Audit Regulations came into force on the 1st April 2015 and have subsequently been amended, most recently by the Accounts and Audit (Amendment) Regulations 2022, which are effective from 22nd July 2022. These regulations set the statutory timetable for production, approval and audit of the Statement of Accounts.
8. The responsible financial officer must sign and date the Draft Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the year end, and of the income and expenditure for the year.
9. The responsible financial officer must then commence the period for the exercise of public rights and notify the local auditor of the date on which that period was so commenced. The date by which this must be done by for the 2021/22 statements is 31st July 2022. There is no requirement for Members to approve the Statement of Accounts at this stage in the process. The Statement is currently in an advanced state for preparation ahead of the end of July deadline. Members are here provided, at Appendix A, with the draft Core Statements and their key supporting Notes.
10. The responsible financial officer must, on behalf of the authority, publish (which must include publication on the authority's website) the draft Statement of Accounts, along with the Annual Governance Statement and a Narrative Report and a declaration, signed by that officer, to the effect that the status of the statement of accounts is unaudited and that the approved Statement of Accounts as published may be subject to change.
11. The regulations also states that the period for the exercise of public rights is treated as being commenced on the day following the day on which all of these obligations have been fulfilled. The responsible finance officer must also ensure that commencement of the period for the exercise of public rights takes place on such a day that it includes, for the 2021/22 statements, the first ten working days of August 2022 and continues for a single period of 30 working days
12. As noted above, the draft Core Statements and key supporting Notes for the financial year 2021/22 are attached at Appendix A. These drafts are substantially complete, but until the whole of the document is complete, there remains the possibility that they may be subject to some change.
13. Once the full draft Statement of Accounts has been published and the public inspection period has begun, then the audit of the accounts by the council's external auditors, Grant Thornton, will commence. For 2021/22, the date for completion of the audit and final approval and publication of the Statement is 30th September 2022.

Agenda Item 6

14. Once the audit has been completed, the Regulations specify that the responsible financial officer must reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority at the year end, and the income and expenditure for the year. The council is then required to:
 - consider, either by way of a committee or by the members meeting as a whole, the statement of accounts;
 - approve the statement of accounts by a resolution of that committee or meeting;
 - ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.
15. Once approved the council must, by no later than 30th September, publish:
 - the statement of accounts together with any certificate or opinion, entered by the local auditor;
 - the annual governance statement; and
 - the narrative statement.
16. Publication of the final documents has to include the council's website. Arrangements are in place to ensure all of the requirements can be met and that the governance committee will be able to fulfil its duty in terms of scrutiny of the accounts.

Climate change and air quality

17. The matters noted in this report have no implications for climate change or air quality.

Equality and diversity

18. This report has no implications for equality and diversity.

Risk

19. Risk implications apply in relation to the Accounts and Audit Regulations 2015 (as amended), to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

Comments of the Statutory Finance Officer

There are no direct financial implications arising as a result of this report. The report relates entirely to the statutory accounting requirements for the Statement of Accounts. All financial implications relating to the final budget outturn position have been set out in the Revenue and Capital Outturn Reports 2021/22, which were considered by Cabinet on 20 June 2022.

Comments of the Monitoring Officer

20. The legal implications are in respect of the Accounts and Audit Regulations 2015 (as amended) 2020, and the requirement that the accounts must be compliant with the relevant accounting standards and codes of practice and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

Background documents

- Accounts and Audit (England) Regulations 2015 (as amended)

Agenda Item 6

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

Appendices

List the appendices in the order that they are attached to the report with titles as appropriate. Any spreadsheets/diagrams should be in pdf format and be headed up.

Appendix A: Draft (Unaudited) Core Financial Statements 2021/22

Report Author:	Email:	Telephone:	Date:
Tony Furber (Principal Financial Accountant)	tony.furber@southribble.gov.uk	01257 515027	14 th July 2022

APPENDIX A

Draft (Unaudited)

Core Financial

Statements

Year Ending 31 March 2022

CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

2020/21				Note	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
546	(511)	35	Commercial & Property		5,922	(1,536)	4,386
2,848	(619)	2,229	Communities		3,739	(1,299)	2,440
25,130	(18,626)	6,504	Customer & Digital		25,949	(18,041)	7,908
3,225	(1,284)	1,941	Governance		3,596	(1,627)	1,969
4,214	(3,731)	483	Planning & Development		5,366	(5,251)	115
2,585	(4,379)	(1,794)	Policy		2,919	(740)	2,179
2,498	(41)	2,457	Budgets Not in Directorates		2,641	(2,670)	(29)
41,046	(29,191)	11,855	Cost of Services		50,132	(31,164)	18,968
440	(27)	413	Other operating expenditure	12	478	(185)	293
2,822	(3,137)	(315)	Financing and investment income and expenditure	13	2,353	(3,265)	(912)
10,871	(25,150)	(14,279)	Taxation and non-specific grant income	14	10,977	(31,821)	(20,844)
55,179	(57,505)	(2,326)	(Surplus) / deficit on provision of services		63,940	(66,435)	(2,495)
		(521)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets				39
		8,346	Re-measurement of the net defined benefit liability	37d			(12,507)
		7,825	Other Comprehensive (Income) and Expenditure				(12,468)
		5,499	Total Comprehensive (Income) and Expenditure				(14,963)

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “(Surplus)/deficit on provision of services” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below, and are also detailed in Note 10.

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020	(20,813)	0	(10,269)	(31,082)	(6,714)	(37,796)
<u>Movements in 2020/21</u>						
Total Comprehensive Income & Expenditure	(2,326)	0	0	(2,326)	7,825	5,499
Adjustments between accounting basis & funding basis (note 10)	(3,774)	0	1,986	(1,788)	1,788	0
(Increase) / Decrease in year	(6,100)	0	1,986	(4,114)	9,613	5,499
Balance at 31 March 2021	(26,913)	0	(8,283)	(35,196)	2,899	(32,297)
<u>Movements in 2021/22</u>						
Total Comprehensive Income & Expenditure	(2,495)	0	0	(2,495)	(12,468)	(14,963)
Adjustments between accounting basis & funding basis (note 10)	4,987	0	(2,350)	2,637	(2,637)	0
(Increase) / Decrease in year	2,492	0	(2,350)	142	(15,105)	(14,963)
Balance at 31 March 2022	(24,421)	0	(10,633)	(35,054)	(12,206)	(47,260)

Balance Sheet

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

31 March 2021 £'000		Notes	31 March 2022 £'000
33,868	Property, Plant & Equipment	15	37,366
10,144	Investment Property	16	11,159
163	Intangible Assets	17	112
39	Long Term Debtors	18	186
44,214	Long Term Assets		48,823
29,017	Short Term Investments	18	34,026
111	Inventories	19	114
10,462	Short Term Debtors	20	6,631
15,148	Cash and Cash Equivalents	21	21,272
54,738	Current Assets		62,043
(25,291)	Short Term Creditors	22	(31,307)
(2,081)	Provisions	23	(2,351)
(27,372)	Current Liabilities		(33,658)
(152)	Long Term Creditors	18	(152)
(37,289)	Net Pension Liability	37	(28,718)
(1,842)	Grant Receipts in Advance - Capital	33	(1,078)
(39,283)	Long Term Liabilities		(29,948)
32,297	Net Assets		47,260
(35,196)	Usable Reserves	24 & MiRS	(35,054)
2,899	Unusable Reserves	25	(12,206)
(32,297)	Total Reserves		(47,260)

The unaudited accounts were authorised for issue on XX July 2022.

Louise Mattinson
Director of Finance
XX July 2022

Cash Flow Statement

This shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

2020/21 £'000		Note	2021/22 £'000
2,326	Net surplus or (deficit) on the provision of services (CIES page 43)		2,495
13,665	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26a	11,339
(134)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	26b	(5,969)
15,857	Net cash flows from Operating Activities	26	7,865
5,384	Investing Activities	27	(5,262)
(18,141)	Financing Activities	28	3,521
3,100	Net (increase) or decrease in cash and cash equivalents		6,124
12,048	Cash and cash equivalents at the beginning of the reporting period		15,148
15,148	Cash and cash equivalents at the end of the reporting period	21	21,272

Notes to the Main Financial Statements

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis Note, which is a note to the core financial statements, shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES). More information on the adjustments between expenditure charged to the General Fund and the CIES is provided in Notes 8 and 10.

2020-21				2021-22		
Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis (note 8 and 10) £'000	Net Expenditure in the CIES £'000		Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis (note 8 and 10) £'000	Net Expenditure in the CIES £'000
(35)	70	35	Commercial & Property	1,576	2,810	4,386
3,357	(1,128)	2,229	Communities	1,401	1,039	2,440
5,347	1,157	6,504	Customer & Digital	5,795	2,113	7,908
1,806	135	1,941	Governance	1,696	273	1,969
301	182	483	Planning & Development	(37)	152	115
(2,172)	378	(1,794)	Policy	2,211	(32)	2,179
2,401	56	2,457	Budgets Not in Directorates	(571)	542	(29)
11,005	850	11,855	Net cost of Service	12,071	6,897	18,968
(17,105)	2,924	(14,181)	Other Income and Expenditure	(9,579)	(11,884)	(21,463)
(6,100)	3,774	(2,326)	(Surplus) / Deficit in year	2,492	(4,987)	(2,495)
(20,813)			Opening General Fund Balance at 1 April	(26,913)		
(6,100)			Add (Surplus) / Less Deficit on General Fund Balance in Year	2,492		
(26,913)			Closing General Fund Balance at 31 March	(24,421)		

8. Note to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis, which forms Note 1 to the Accounts, can be found on page xx.

2021/22	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Statutory Adjustments (Note C)	Total Statutory Adjustments	Non-Statutory Adjustments (Note D)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts						
Commercial & Property	1,972	146	7	2,125	685	2,810
Communities	812	220	7	1,039	0	1,039
Customer & Digital	1,541	470	(17)	1,994	119	2,113
Governance	19	272	(18)	273	0	273
Planning & Development	0	150	2	152	0	152
Policy	16	100	3	119	(151)	(32)
Budgets Not In Directorates	2	539	1	542	0	542
Net Cost of Service	4,362	1,897	(15)	6,244	653	6,897
Other income and expenditure from the Expenditure and Funding Analysis	(10,203)	824	(1,852)	(11,231)	(653)	(11,884)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(5,841)	2,721	(1,867)	(4,987)	0	(4,987)

2020/21 Comparative Figures						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Statutory Adjustments (Note C)	Total Statutory Adjustments	Non-Statutory Adjustments (Note D)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Commercial & Property	(1,277)	38	6	(1,233)	465	(768)
Communities	391	56	30	477	0	477
Customer & Digital	152	315	64	531	63	594
Governance	23	121	45	189	0	189
Planning & Development	0	73	20	93	0	93
Policy	18	40	0	58	(119)	(61)
Budgets Not In Directorates	2	311	13	326	0	326
Net Cost of Service	(691)	954	178	441	409	850
Other income and expenditure from the Expenditure and Funding Analysis	(3,014)	628	5,719	3,333	(409)	2,924
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,705)	1,582	5,897	3,774	0	3,774

10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the resources that are specified by the statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year and includes Earmarked Reserves (see Note 0).

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2021/22	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<u>Adjustments to the Revenue Resources</u>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e)	2,720	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f)	(1,854)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g)	(12)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 25b)	1,509	0	0
Total Adjustments to Revenue Resources	2,363	0	0
<u>Adjustments between Revenue and Capital Resources</u>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 44)	(185)	185	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b)	(298)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	(2,734)	0	0
Total Adjustments between Revenue and Capital Resources	(3,217)	185	0
<u>Adjustments to Capital Resources</u>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 44)	0	(185)	0
Application of capital grants to finance capital expenditure (MiRS page 44)	(4,133)	0	2,351
Total Capital Resources	(4,133)	(185)	2,351
Total Adjustments	(4,987)	0	2,351

2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<u>Adjustments to the Revenue Resources</u>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25e)	(1,582)	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25f)	(5,718)	0	0
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25g)	(179)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) (note 25b)	2,998	0	0
Total Adjustments to Revenue Resources	(4,481)	0	0
<u>Adjustments between Revenue and Capital Resources</u>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS page 44)	27	(27)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 25b)	619	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 25b)	2,047	0	0
Total Adjustments between Revenue and Capital Resources	2,693	(27)	0
<u>Adjustments to Capital Resources</u>			
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS page 44)	0	27	0
Application of capital grants to finance capital expenditure (MiRS page 44)	(1,986)	0	1,986
Total Capital Resources	(1,986)	27	1,986
Total Adjustments	(3,774)	0	1,986

11 Transfers to / from earmarked reserves

The movements in earmarked reserves during the year were as follows. The movements in the general reserve are also included, producing the overall total for general fund reserves that appears in the Movement in Reserves Statement on page xx.

	Balance 31 March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance 31 March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
My Neighbourhoods	(67)	(43)	1	(109)	(131)	109	(131)
Borough Council Elections	(160)	0	0	(160)	0	0	(160)
Housing Needs Survey	(100)	(20)	40	(80)	0	0	(80)
Local Development Framework	(255)	(100)	88	(267)	0	59	(208)
Performance Reward Grant	(27)	0	16	(11)	0	0	(11)
Organisation Restructure Costs	(200)	0	0	(200)	0	0	(200)
Borough Investment Account	(4,577)	0	172	(4,405)	0	938	(3,467)
Business Rates Retention	(3,309)	0	165	(3,144)	0	236	(2,908)
City Deal Reserve	(1,851)	0	0	(1,851)	0	0	(1,851)
Capital Funding Reserve	(3,514)	(45)	1,708	(1,851)	(20)	1,387	(484)
Repairs and Maintenance Fund	(500)	0	0	(500)	0	114	(386)
Transformation Fund	(415)	0	185	(230)	(661)	177	(714)
Apprenticeship Reserve	0	0	0	0	0	0	0
Climate Change	(250)	0	0	(250)	0	0	(250)
Credit Union	(150)	0	1	(149)	0	66	(83)
CIL Administration Fund	(248)	0	248	0	0	0	0
Section 106 Reserve	0	(242)	0	(242)	0	0	(242)
Asset Management	0	(400)	0	(400)	0	0	(400)
Business Grants Reserve	0	(150)	0	(150)	(71)	221	0
Community Wealth Building	0	(150)	0	(150)	0	0	(150)
Mental Health for Young People	0	(50)	0	(50)	0	6	(44)
Covid Recovery Fund	0	(675)	0	(675)	(392)	0	(1,067)
Covid Commitments	0	(654)	0	(654)	0	604	(50)
Income Equalisation	0	(150)	0	(150)	0	0	(150)
Leisure Reserve	0	(546)	0	(546)	0	17	(529)
Income Investment Reserve	0	(250)	0	(250)	0	0	(250)
Collection Fund Deficit Distribution Fund	0	(5,244)	0	(5,244)	(3,200)	4,295	(4,149)
Other Earmarked Reserves	(951)	(561)	222	(1,290)	(1,201)	175	(2,316)
Total Earmarked Reserves	(16,574)	(9,280)	2,846	(23,008)	(5,676)	8,404	(20,280)
General Reserve	(4,239)	(31)	129	(4,141)	0	0	(4,141)
Total General Fund Reserves	(20,813)	(9,311)	2,975	(27,149)	(5,676)	8,404	(24,421)

Below is a description of the purpose of each of the earmarked reserves identified above:

Earmarked Reserve	Reason / Use
Community Hubs	An accumulation of unspent core funding allocated to be spent in accordance with the local priorities determined by each of the Community Hub forums.
Elections Provision	An annual transfer from revenue is made to cover the four yearly Borough Elections. The next election is due to take place in May 2023.
Housing Needs Survey	Annual contribution made to fund the costs of carrying out detailed Housing Needs Surveys.
Local Development Framework	To fund one-off costs in relation to the production of planning policy documents in relation to the Local Development Framework.
Performance Reward Grant	External revenue funding held by the council on behalf of South Ribble Partnership set aside for spending on South Ribble Partnership projects in future years.
Organisation Restructure Costs	To be used to assist in funding the one-off costs of any service reviews designed to improve the efficiency of the council.
Borough Investment Account	To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the council to bridge potential funding gaps.
Business Rates Retention	To mitigate the potential risk to the council's medium-term financial strategy by providing funds to smooth out the inherent fluctuations that occur in the Business Rates Retention System.
City Deal	To be used to fund additional costs in relation to the delivery of City Deal projects and outcomes.
Capital Funding Reserve	This is to fund capital expenditure in line with the council's Corporate Plan priorities, as set out in the approved Capital Strategy and Medium-Term Financial Strategy.
Repairs and Maintenance Fund	The revenue budget includes an annual provision for the costs of repairs and maintenance of the council's property assets. The purpose of the reserve is to meet the costs of any major repairs and maintenance works which cannot be met from this base budget.
Transformation Fund	The purpose of the reserve was to provide funding for projects which will generate a payback into the council's revenue budget through sustainable income generation and/or recurring cost savings. The fund has been allocated to the IT Digital Strategy capital costs in the capital programme.
Apprenticeship Reserve	This relates to funding set aside to fund Apprenticeship costs. The reserve is no longer required because the staffing costs for apprenticeship posts have been built into the base budget. Therefore the reserve has been transferred back to the general reserve.
Climate Change	To facilitate spending on initiatives that will reduce the council or the borough's impact on climate change.
Credit Union	To support the creation of a Credit Union within the borough.
CIL Administration Fund	This reserve was created in 2019-20 using the proportion of Community Infrastructure Levy (CIL) which the council is entitled to

Earmarked Reserve	Reason / Use
	retain in respect of administration costs. The reserve was released in 2020-21 to reflect the funding of historic costs in administering CIL.
Asset Management	To fund potential future maintenance costs and part-fund future capital expenditure on short-life assets such as ICT and vehicles.
Business Grants Reserve	To deliver an extended programme of support for businesses beyond government grants to ensure that the council is doing as much as possible to help businesses get back on their feet.
Community Wealth Building	To implement a plan to retain wealth and grow the local economy through a progressive procurement framework and social value policies.
Mental Health for Young People	To support positive mental health for young people through officer resource to deliver a programme of early intervention activity.
Covid Recovery Fund	To support the borough's recovery from covid-19
Covid Commitments	To cover existing Covid-19 commitments which will only be incurred in 21/22.
Income Equalisation	To cover any potential temporary reliefs and losses on investment income over the recovery period from Covid-19.
Leisure Reserve	To fund one-off costs associated with bringing the leisure service in-house and then transferring it to a newly created trading company, and to offset expected deficits in the first year of operation.
Income Investment Reserve	To fund the costs of developing new income generation projects which may not be able to be capitalised.
Collection Fund Deficit Distribution Fund	In 2020-21, because of the Government support measures in respect of the Covid 19 pandemic, the balance of income relating the Business Rates, between actual rates income and government grants, shifted significantly towards grants. The result was a surplus of £5.107m in grant income, offset by a corresponding deficit on the Collection Fund. But whereas the surplus falls immediately into 2020-21, the impact of the Council's share of the deficit will not be felt until 2021-22 and later years. The surplus has therefore been set aside to meet this. There are also smaller deficits, in respect of both Council Tax and Business Rates, which have arisen from the more general effects of the pandemic. Further grants, totalling £136k, have been received to cover a part of these. (See also under Note 14.)
Other	This reserve comprises three elements: approved carry forwards of underspends that have not yet been allocated, surplus income relating to Sports Development service, and miscellaneous ring-fenced grant income specific to certain service areas.

26 Cash flow statement – operating activities

26a Adjust net surplus or deficit on the provision of services for non-cash movements

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2020/21 £'000	2021/22 £'000
Depreciation	1,155	3,000
Impairment and valuation changes	(2,789)	601
Amortisation	102	65
Increase / (decrease) in impairment for bad debts	490	911
(Increase) / decrease in debtors	(6,060)	510
Increase / (decrease) in creditors	19,894	3,369
(Increase) / decrease in inventories	(19)	(3)
Movement in pension liability	1,582	3,938
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	113	0
Contributions (to) / from Provisions	(605)	270
Movement in investment property values	(198)	(1,322)
Net adjustment	13,665	11,339

26b Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2020/21 £'000	2021/22 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(27)	(185)
Capital Grants credited to surplus or deficit on the provision of services	(107)	(5,784)
Net adjustment	(134)	(5,969)

26c Interest received and interest paid

The cash flows for operating activities include the following items:

	2020/21 £'000	2021/22 £'000
Interest received	186	91
Interest paid	(121)	0
Net cash flow in / (out)	65	91

27 Cash Flow Statement – investing activities

The following items have been included within investing activities in the cash flow statement:

	2020/21 £'000	2021/22 £'000
Purchase of property, plant & equipment, investment property & intangible assets	(3,513)	(6,190)
Purchase of short and long term investments	(32,017)	(21,026)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	27	185
Proceeds from short and long term investments	41,071	16,017
Other receipts relating to investing activity (government grants)	(184)	5,752
Total cash flows from investing activities	5,384	(5,262)

28 Cash Flow Statement – financing activities

The following have been included within financing activities in the cash flow statement:

	2020/21 £'000	2021/22 £'000
Cash Receipts from Short and Long Term Borrowing	(10,000)	0
Cash paid to reduce lease liabilities.	(283)	0
Other Payments for financing activities - change in indebtedness relating to NNDR (due from Government and Preceptors) and Council Tax (due from Preceptors).	(7,858)	3,521
Total cash flows from financing activities	(18,141)	3,521

Report of	Meeting	Date
Director of Finance and Section 151 Officer	Governance Committee	Tuesday, 26 July 2022

CIPFA RESILIENCE INDICATOR CIPFA Resilience Index 2020/21

Is this report confidential?	No
Is this decision key?	No

Purpose of the Report

- To present to the Governance Committee the latest CIPFA Resilience Index (2020/21) compared to the previous published index (2019/20).

Recommendations to Governance Committee

- The Governance Committee is asked to note the index and the continued strong position of the Council.

Reasons for recommendations

- The index compares key financial indicators with other Local Authorities and the results are intended to provide assurance to the Governance Committee.

Other options considered and rejected

- Not applicable.

Corporate priorities

- The report relates to the following corporate priorities: (please bold all those applicable):

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

- An online tool was released by CIPFA (Chartered Institute of Public Finance and Accountancy) in December 2019 to show the levels of financial resilience of each local authority across England.

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7. The Tool is intended to help to ensure the sector is held to collective and robust standards of governance and financial management.
8. Indicators used in the Index include levels of reserves, external debt and ratios of income and expenditure.
9. These measures are intended to provide a rounded picture of an authority's resilience to financial shocks.
10. Whilst the Tool is intended to support local authorities in conducting their long term resilience assessments it is important to remember that the Index forms only one part of that judgement. Local context must also be taken into account when forming an overall picture of resilience.
11. The index is based upon statistical returns submitted by Local Authorities and it should be recognised that data quality / consistency will be an issue as different organisations will undoubtedly have different approaches.
12. The index is valid however in making overall comparisons and comparing trends between years.
13. CIPFA have now released the 2020/21 index; this is analysed in the report and compared against the 2019/20 data.

THE INDICATORS

14. The 8 indicators applicable to District Councils are as follows;

INDICATOR	DEFINITION
Reserves Sustainability Measure	Ratio between the current level of reserves and the average change in reserves in each of the past 3 years. <i>A negative value (which implies reserves have increased) or one greater than 100, have been recoded to 100).</i> <i>(A higher figure indicates stronger resilience)</i>
Level of Reserves	Ratio of current level of reserves to the council's net revenue expenditure. <i>(A higher figure indicates stronger resilience)</i>
Change in Reserves	Average % change in Reserves over the past 3 years <i>(A higher, positive figure indicates stronger resilience)</i>
Interest Payable / Net Revenue Expenditure	Ratio of Interest Payable to Net Revenue Expenditure

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	<i>(A lower figure indicates stronger resilience)</i>
Gross External Debt	Compares gross external debt held by a council
Fees and Charges to Service Expenditure Ratio	Proportion of fees and charges against the council's total service expenditure <i>(Measures dependency on fees and charges and also how effective the council has been in generating income in this way)</i>
Council Tax Requirement/Net Revenue Expenditure	Ratio of council tax as a proportion of net expenditure <i>(Measures dependency on Council Tax and how effective the council has been in moving away from dependency on grants and funding from central government)</i>
Growth Above Baseline	Difference between the baseline funding level and retained business rates income, over the baseline funding level
ADDITIONAL INDICATOR	
Auditors VfM Assessment	This was published for 2019/20; however is not included in the 2020/21 index

SOUTH RIBBLE PERFORMANCE

15. The indicators are available for all authorities in the country and can be selected individually or by reference to;
- Upper Tier or Lower Tier and then by,
 - County Councils/ London Boroughs/ Metropolitan Districts/ Non-Metropolitan Districts/ Unitaries OR Nearest Neighbour
16. For the purposes of comparison, South Ribble has been compared to their "Nearest Neighbours". The CIPFA Nearest Neighbour Model adopts a scientific approach to measuring the similarity between authorities taking into account a range of economic, social and physical characteristics.
17. The Nearest Neighbour Grouping has been revised in the 2020/21 index and is now as follows;

Amber Valley

Braintree

Broxtowe

Chorley

East Northamptonshire

Erewash

Gedling

High Peak

+Hinckley & Bosworth

Kettering

Lichfield

Newark & Sherwood

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Rossendale

South Derbyshire

South Kesteven

South Ribble

+Stafford

Stroud

18. The indicators are outlined in the attached charts; with comparison to the 2019/20 position.
19. It should be noted that on some graphs the scale has changed between the two years.

CONCLUSION

20. There has not been a significant shift in either the scale of the Council's indicators, or their position in the "rankings" of the comparator Group.
21. The indicators continue to highlight the Council is in a strong position.
22. The indicators highlight a low level of borrowing for the Council however a number of major schemes now feature in the capital programme which will see this increase e.g. Jubilee Gardens Extra Care scheme, and improvements to Leisure facilities.

Climate change and air quality

23. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

24. Not applicable

Risk

25. The analysis provides assurance that the Council is in a strong financial position and resilient to financial risks.

Comments of the Statutory Finance Officer

26. There are no direct financial implications arising from this report.
27. The report presents the financial standing of the council based on the figures included in the 2020/21 statutory returns for South Ribble in comparison to a group of councils who CIPFA deem, based on similarities across a range of economic, social and physical characteristics, to be the best comparator group.

Comments of the Monitoring Officer

28. There are no direct legal implications arising from this report.

Background documents

There are no background papers to this report

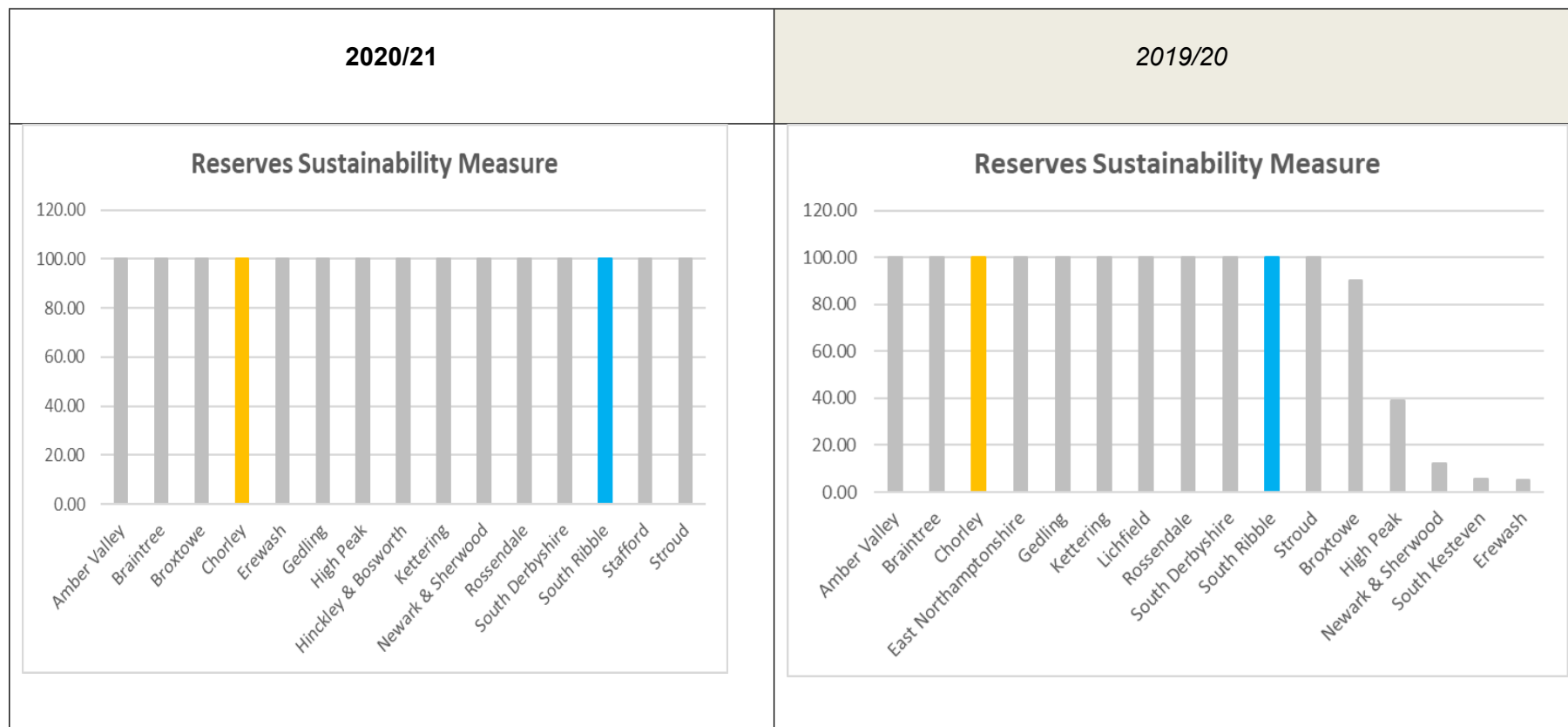
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Appendices

Appendix A – Comparison of Resilience Indices

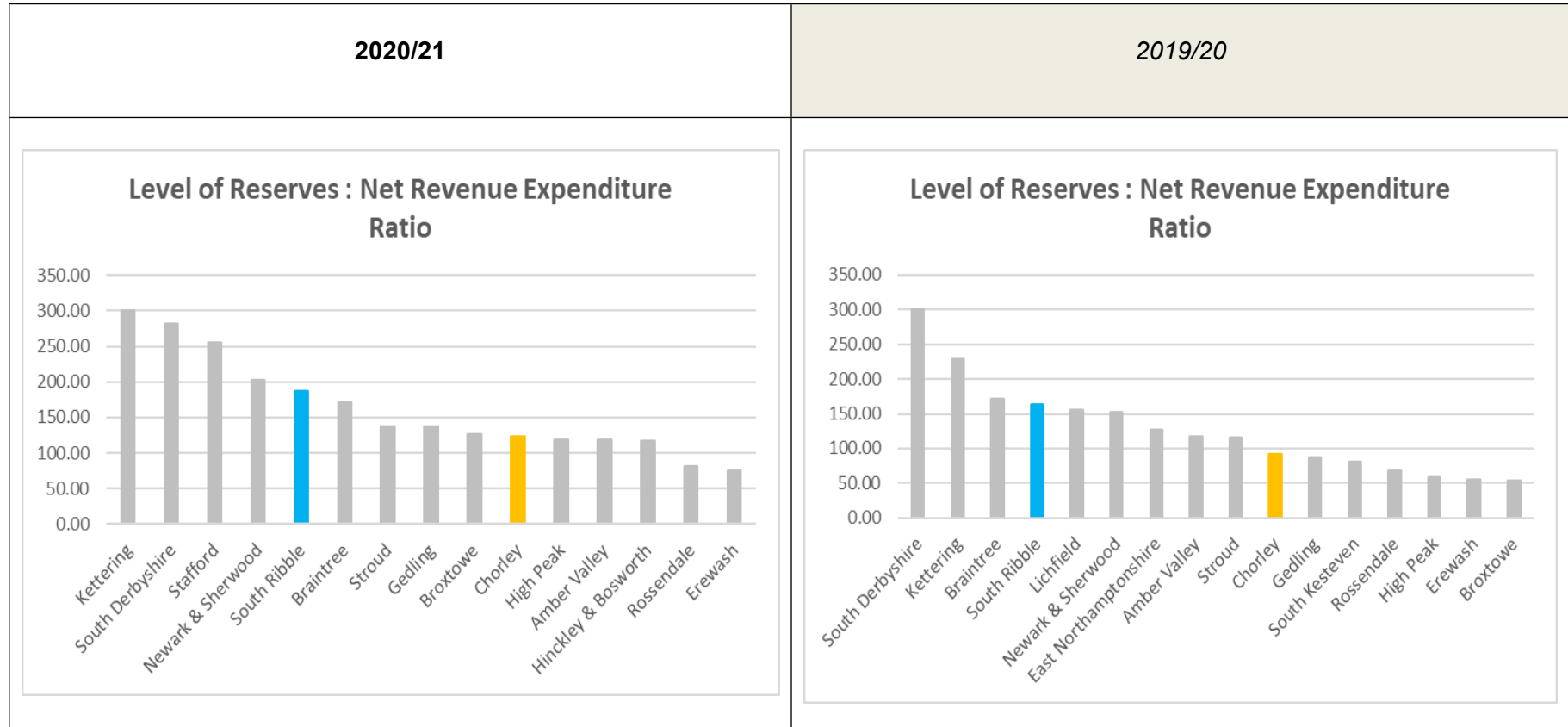
Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	steve.kenyon@southribble.gov.uk	01772 625625	4 th July 2022

1. Reserves Sustainability Measure



Highlights a strong level of reserves (maximum level on chart), with growth over the last 3 years. It should be noted that some growth will be due to Covid-19 funding unspent / carried forward.

2. Level of Reserves

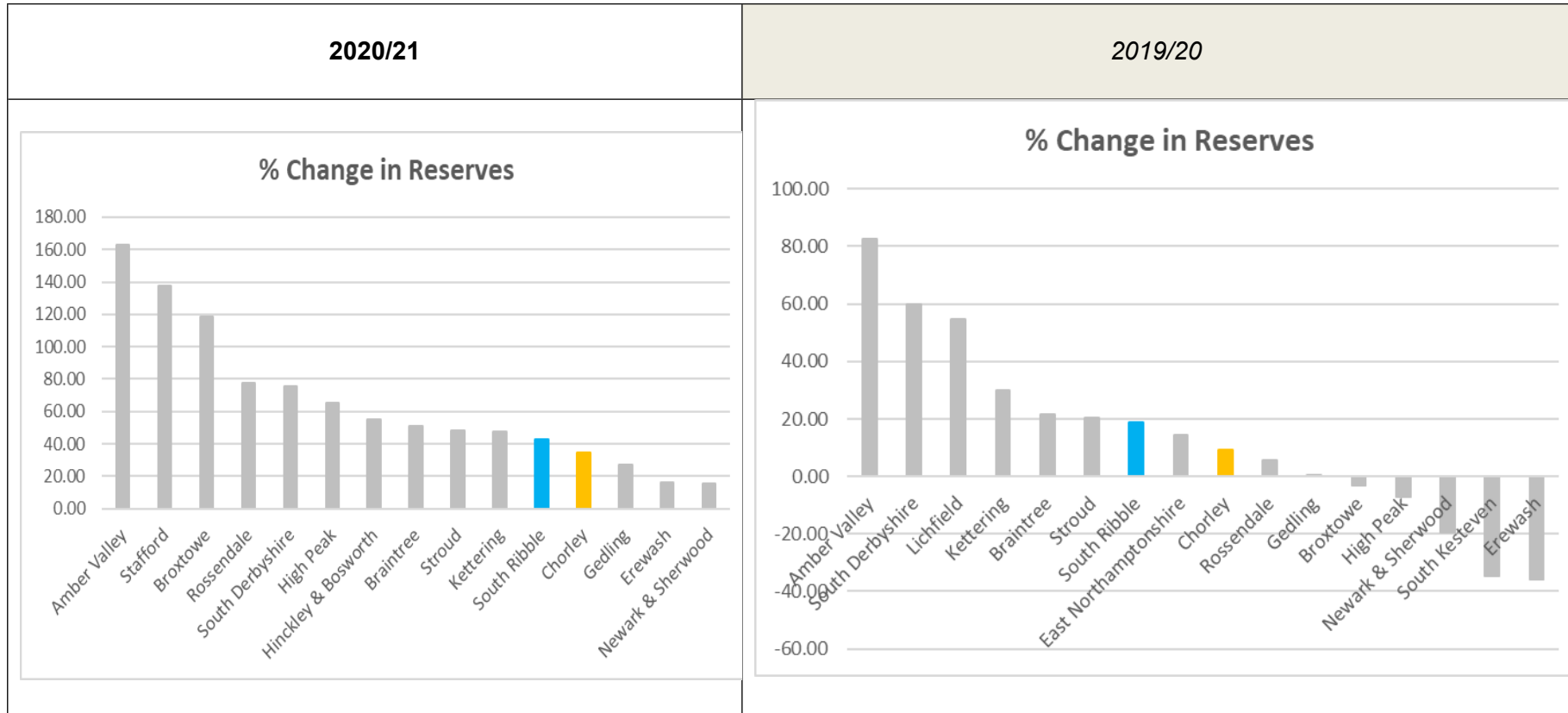


Overall rankings are broadly similar between the two years. The charts highlight the Council has increased reserves since 2019/20; primarily as a result of Covid Funding carried forward.

Of the 180 districts, against this indicator South Ribble holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 161.8% of it's annual Net Revenue, ranking them with the 58th highest level nationally.

In comparison to the 12 Districts in Lancashire, South Ribble had the 3rd highest level of reserves compared to net revenue.

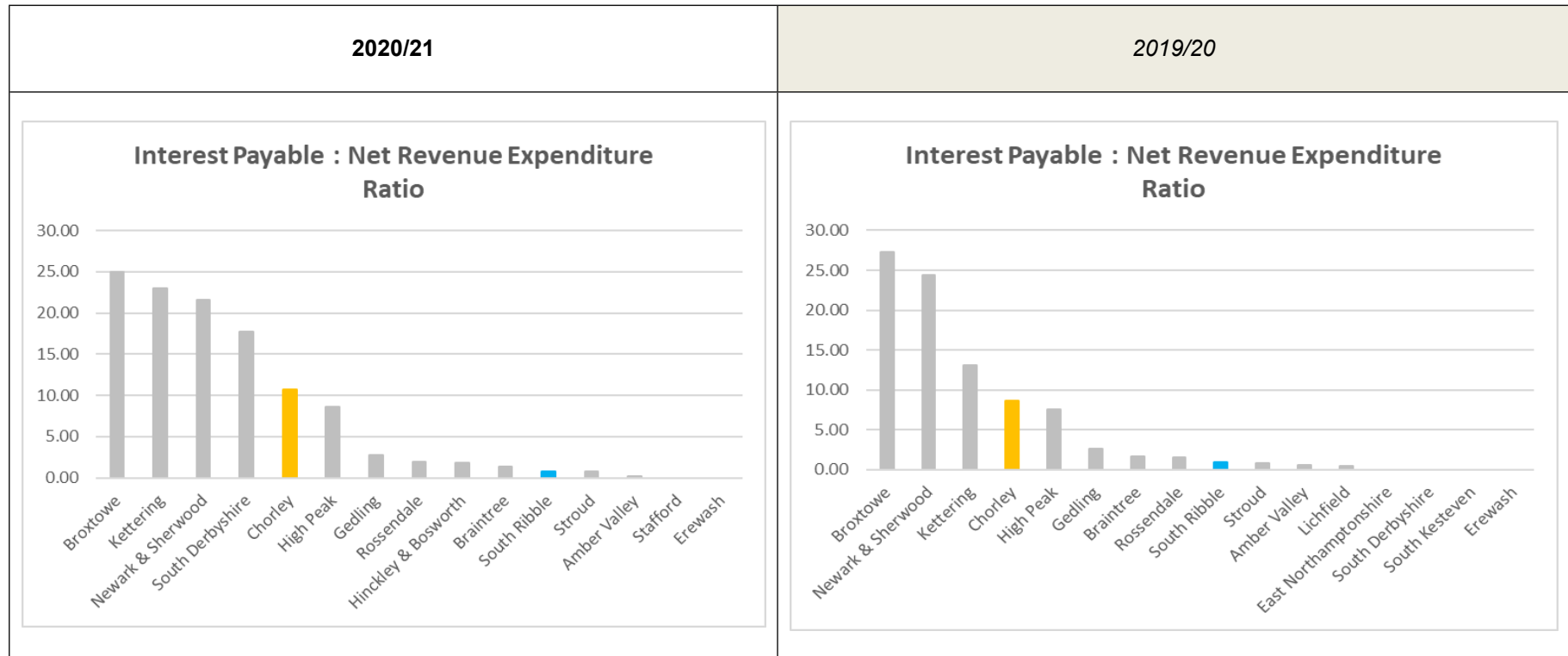
3. Change in Reserves



Along with the rest of the Group, the Council displays increased growth in reserves over the last 3 years.

Again, some of this growth will be due to unspent Covid-19 funding at the end of 2020/21.

4. Interest Payable/Net Revenue Expenditure

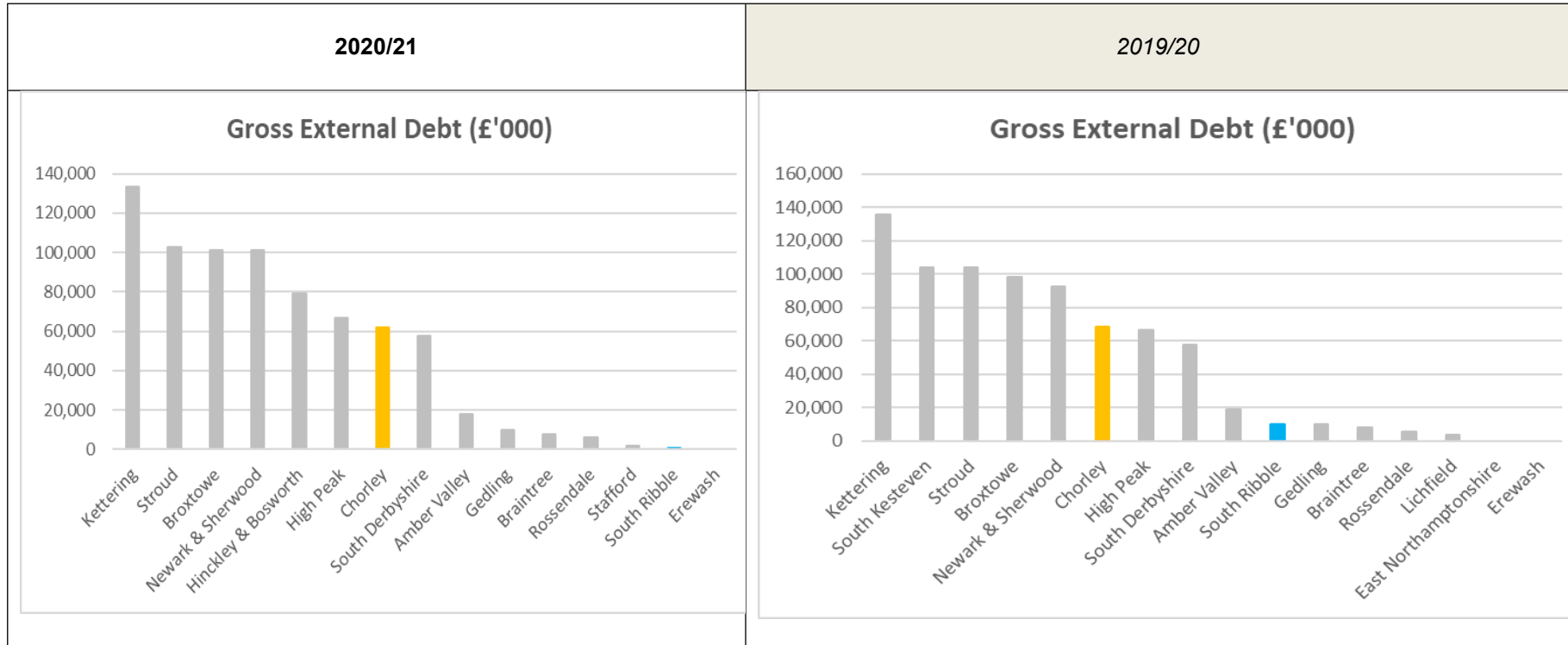


A high level of interest payable compared to Net Revenue Expenditure would be indicative of high levels of borrowing and/or loans taken out at high rates of interest.

The Council continue to display a low figure – however this will increase when planned capital schemes commence (e.g. Jubilee Gardens Extra Care scheme).

Considering the level of Interest Payable as a % of Net Revenue (i.e. as a measure of indebtedness), South Ribble’s Interest payable was 0.72% of it’s Net Revenue ranking them 132nd lowest level of interest payable as a % of Net Revenue across all 180 District councils. In comparison to the 12 Districts in Lancashire, South Ribble had the 4th lowest level of interest payable compared to net revenue.

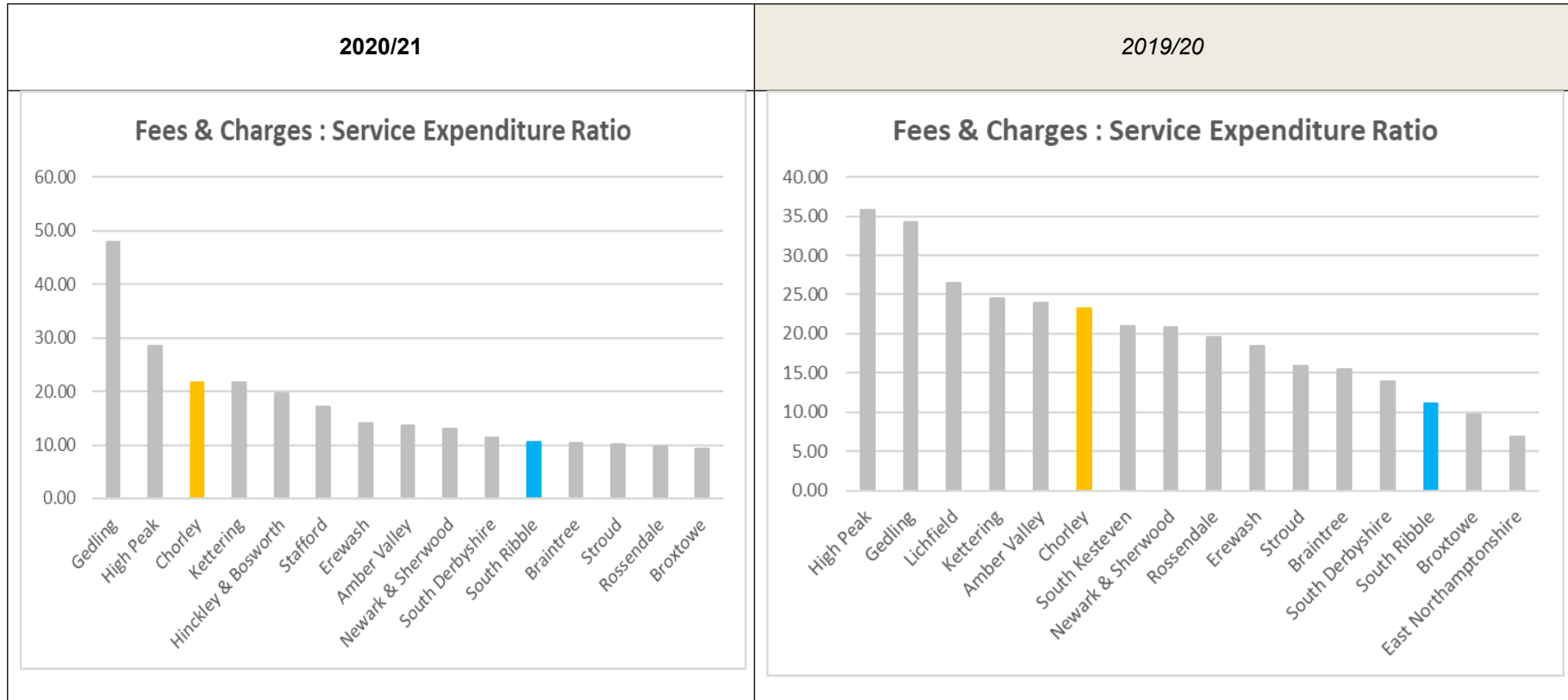
5. Gross External Debt



The Council's debt is currently low, and this is potentially a missed opportunity to undertake improvements in the Borough and generate additional income streams.

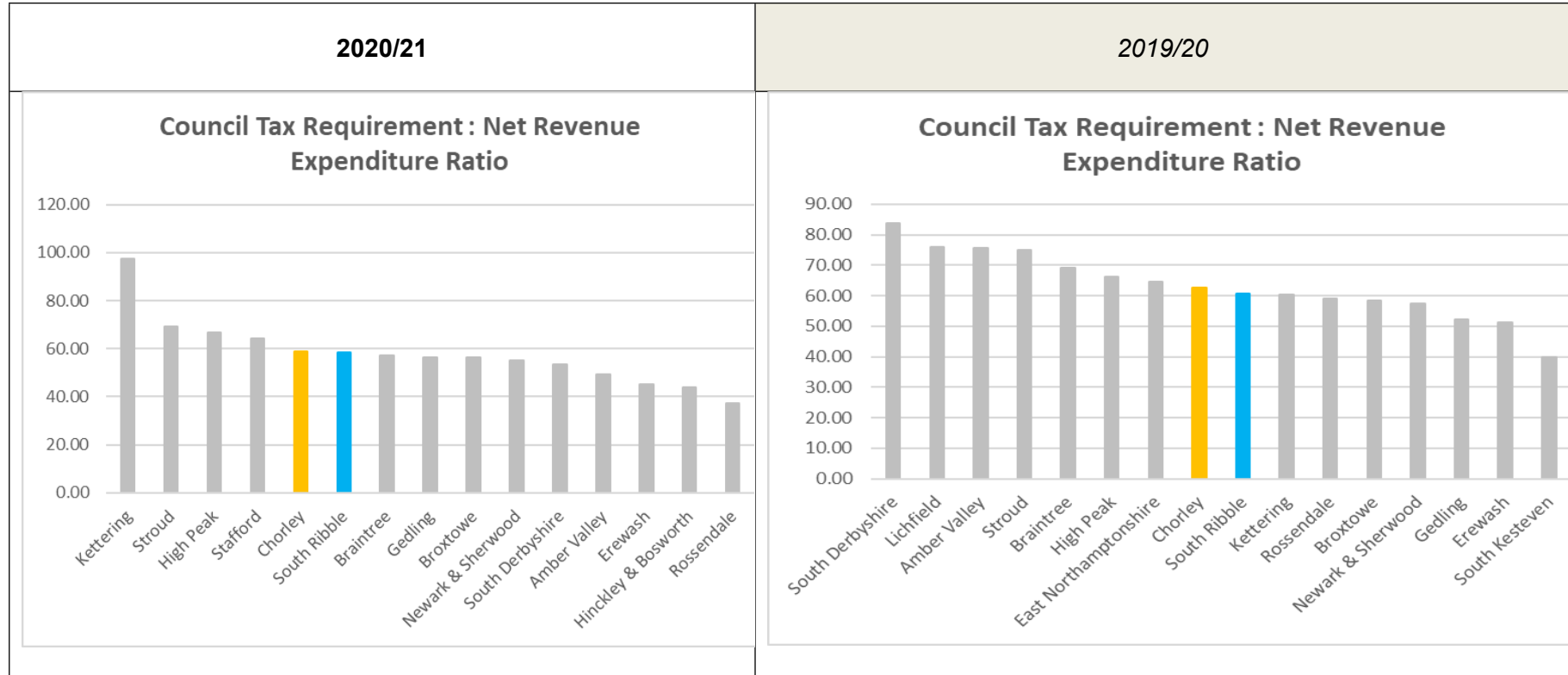
This will change when planned capital schemes commence in the Borough, however the charts suggest there is still scope for further investment.

6. Fees and Charges to Service Expenditure Ratio



The Council remains towards the lower end of the comparator group however future planned capital investment should see this indicator improve.

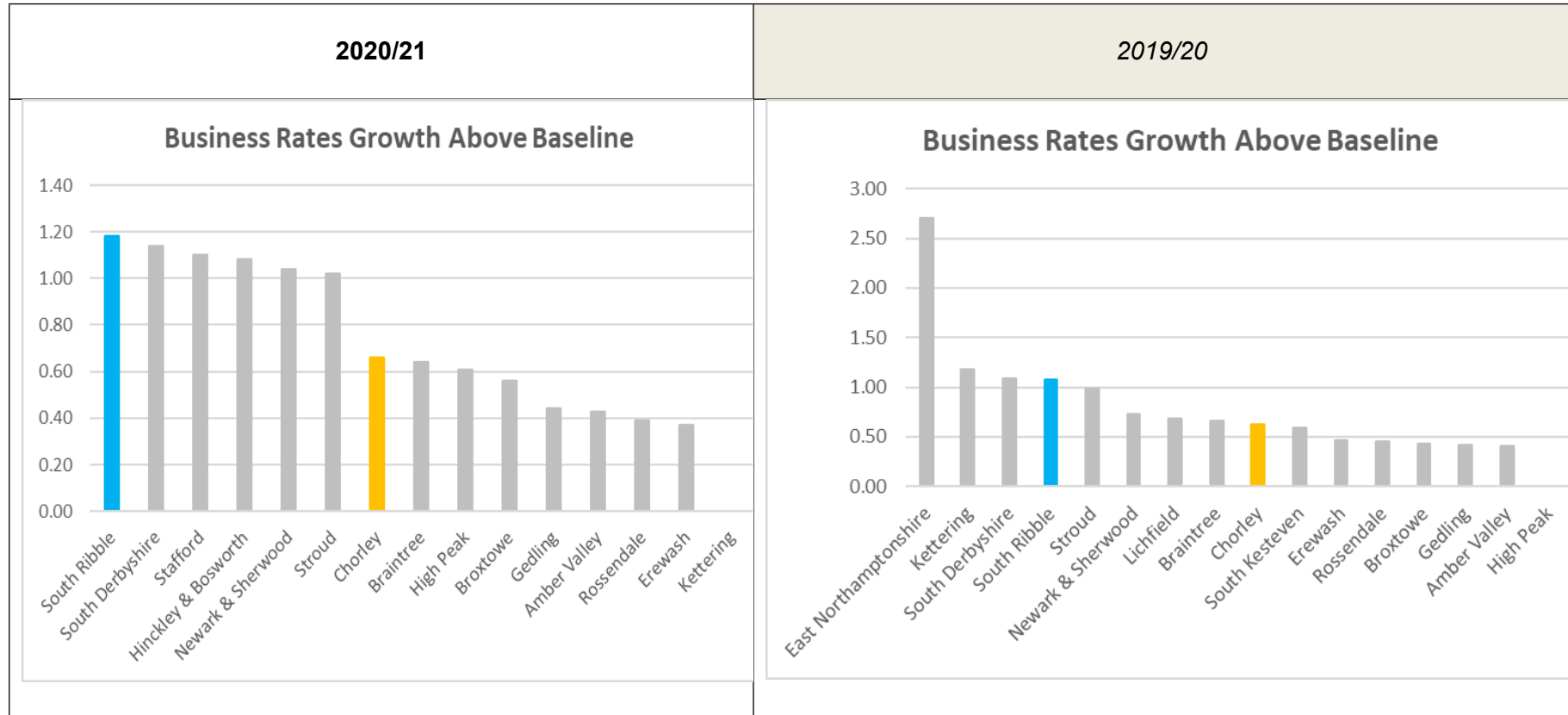
7. Council Tax Requirement/Net Revenue Expenditure



The graph above shows the level of Net Revenue Expenditure funded by Council Tax; the lower the percentage, the higher the dependency on government funding.

The Council has fallen back slightly in percentage terms since 2019/20, however now shows a stronger ranking in the Group.

8. Growth Above Baseline



The Council now tops the group; this is due to new developments in the Borough in 2020/21, notably a new Tesco Superstore in Penwortham.

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Report of	Meeting	Date
Deputy Chief Executive	Governance Committee	26 July 2022

Strategic Risk Register

Is this report confidential?	No
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Is this decision key?	Not applicable
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Purpose of the Report

1. The Strategic Risk Register is used by the council to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically.
2. This report provides members with an updated Strategic Risk Register, which includes 16 strategic risks to the council, including actions in progress as well as new actions planned to further mitigate identified risks.

Recommendations to Governance Committee

3. That members note the strategic risks, controls in place and actions planned to further mitigate the strategic risks as set out in the report.

Reasons for recommendations

4. To enable the risk register to be updated on GRACE, the council's risk management system, to ensure close monitoring of key strategic risks.

Other options considered and rejected

5. No other options have been considered as the report is for information only.

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Executive summary

6. The council operates in a changing political, economic and financial environment. The Strategic Risk Register therefore needs to be updated regularly to reflect any new or emerging strategic risks facing the council.
7. This report contains the latest version of the risk register and proposed changes for members' information and comment. The updated version of the risk register will then be updated on GRACE, the council's risk management system, following consideration by the Governance Committee.

Corporate priorities

8. The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

9. The Strategic Risk Register is a key part of the council's risk management system, alongside service level and individual project level risk registers. It considers the key risks that are applicable to Corporate Strategy and service delivery across the council as a whole.
10. The Council operates in a continually changing political, economic and financial environment. The Strategic Risk Register is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.
11. The Strategic Risk Register is owned by the Senior Management Team and is stored and managed through GRACE, the council's risk management system. SMT are responsible for identifying, owning, monitoring and delivering actions to mitigate strategic risk, including ensuring that any actions against each risk are completed.
12. All risks are scored on a 4x4 risk matrix as outlined below:

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Major	4	4 Low	8 Medium	12 High	16 High
Serious	3	3 Low	6 Medium	9 Medium	12 High
Minor	2	2 Low	4 Low	6 Medium	8 Medium
Insignificant	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4
		Rarely – there is a slight possibility that the event will occur	Unlikely- there is a possibility that the event will occur or there is a history of occasional occurrence within the authority	Likely – There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority	Highly likely - there is little doubt that the event will occur

Summary of risks

13. A summary of the updated risks for 2022/23 is outlined in the table below. This includes a summary of the existing control measures and actions in place to mitigate risk and any changes to the risk level since the last review.
14. The close management and delivery of actions to mitigate and control risks means that the majority of risks have remained stable, with three risks being identified as decreasing in risk level and two as increasing.
15. The full register including all existing control measures and new actions is available in appendix A.

Highest Scoring Risks

16. The highest scoring risks are highlighted in red in the table below. Many of these risks focus on delivering Council priorities, including service delivery, large scale capital projects, new ways of working, and working with strategic partners to deliver outcomes. There are challenges facing the organisation in relation to budgetary pressures and changes to funding that we will have to continue to address in order to meet the demand for services and needs of residents. Similarly, the impact of the national job market on staffing resources and capacity is a significant risk to service delivery and performance. There are strong control measures in place to mitigate these risks, including as part of the council's governance framework and budget setting and monitoring processes.

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17. The highest scoring risk, with an inherent risk score of 16, is R6 'staff capacity and skills.' This has a high risk score due to the current issues being experienced in relation to the current national job market and recruitment challenges which are causing issues in recruitment to some services. Despite the high risk, the council has several control measures in place including the OD strategy which continues to develop staff's skills, HR mapping of the key gaps and recruitment drives to mitigate this, and reviewed employee benefits to attract and retain staff. Planned actions to mitigate this risk further include the review of management capacity which will help to ensure that there is the right level of capacity at the head of service level. The new People Strategy, which is currently being consulted on with staff, will also support recruitment, retention and staff development through:
- delivery of a review of recruitment and onboarding to ensure this is as efficient as possible
 - consistent graduate and apprentice process to grow our own
 - annual development day to give staff more time for developing their skills
 - annual workforce review to provide information on any current or upcoming skills gaps

Changes to risk scores

18. The majority of strategic risk levels have remained similar to 2021/22, as mitigating actions and controls have ensured that the risks have been effectively managed and therefore not escalated across the year. All actions and controls have been reviewed and updated against these risks to ensure any new activity is captured and this will be recorded within the GRACE system following Governance Committee. Key changes are summarised below:

Decreasing risk scores:

- A decrease in inherent risk for R1 'the ability of the council to continue its service delivery is either halted or scaled back as a result of major incidents' from 16 (high risk) to 8 (medium risk) and residual risk from 9 (medium risk) to 6 (medium risk.) This is to reflect that there is now a reduced risk to service delivery from the Covid-19 pandemic, with government guidance and restrictions lifted, the virus being managed at a local level and nation-wide mitigating actions such as the vaccine programme. Potential future risks to service delivery are also well managed with well-established business continuity plans in place.
 - The scope of R1 has also changed with the cyber security risk element now included within R7 'Risk to ICT security impacting on service delivery and data protection' to better reflect the specific control measures and mitigating actions in place in relation to ICT and cyber security.
- A decrease in the inherent risk for R2 'failure to achieve desired outcomes through strategic relationships' from 16 (high) to 12 (high.) This reflects that the risk of delivering objectives through partnerships has now reduced as the Leisure and Waste services have been insourced. The risk level still remains high as the Council works with partners to achieve several strategic objectives, such as the City Deal, and whilst this brings benefits in terms of wider influence and capacity to deliver, it also means that the Council has less control over successful delivery.

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- A decrease in risk score for R8 'failure to adjust our practices and services to reflect the impact of the Covid-19 pandemic' from an inherent risk of 12 (high) to 9 (medium) and a residual risk of 8 (medium) to 6 (medium.) This reflects the reduced impact of Covid-19 as government guidance and legislation has been lifted and the council has adapted to new ways of working, such as through hybrid and remote work. The council has adapted well to deliver new services as required, such as the administration of grants and rebates, and there is a corporate strategy project in place to reflect the need to adjust services to meet the changing needs of residents.

Increasing risk scores:

- An increase in risk score for R6 'Lack of staff capacity and/ or skills (including as a result of issues in relation to recruitment,) to enable service delivery or for the Council to deliver large-scale capital projects to support the Corporate Strategy' from 12 (high) to 16 (high.) This reflects ongoing capacity issues impacted by the national job market and recruitment patterns. As outlined above, the upcoming People Strategy will deliver a set of interventions targeted as improving the council's ability to recruit, train and retain our workforce.
- An increase in risk score for R16 'council performance' from 9 (medium) to 12 (high) to reflect that whilst there has been relatively stable Council performance during the Covid-19 pandemic, there is a risk in relation to the delivery of work and capacity across the council including as a result of the risk to staffing resources and recruitment to key posts. Further work to develop the performance and project management systems will help embed the approach to performance management and further mitigate risk. There is also Programme Management Office support in place to support the delivery of key programmes such as the ICT plan, which will ensure that the right technology and infrastructure is in place to support service delivery, and the Delivery Plan Project Team, which will help to ensure that priority projects are well coordinated and delivered.

Risk	Description	Inherent	Residual	Direction	Comment	Planned actions
R01- Service Delivery	The ability of the council to continue its service delivery is either halted or scaled back as a result of major incidents	8	6	↓	<p>Decrease in inherent risk from 16 to 8 and residual risk from 9 to 6 to reflect reduction in risk as we emerge from the Covid-19 pandemic. Cyber security risks used to be contained as part of this risk but are now to be covered by R7 'Risk to ICT Security impacting on service delivery and data protection including failure to comply with GDPR regulations and data legislation.'</p> <p>Measures in place to control the risk of incidents affecting service delivery include the business continuity plan, emergency plan, command and control structure and national, regional and local security plans and ICT continuity plan.</p>	A new action has been identified to establish a forward plan of testing of business continuity plans to ensure they are robust and fit for purpose, and for SMT to monitor the impact of the Ukraine crisis on business continuity in relation to areas such as supply chains and security.
R02- Strategic Partnerships	Failure to achieve desired outcomes through strategic relationships including City Deal	12	9	↓	<p>Risk reduced from 16 (high) to 12 (high) to reflect that the risk of delivering objectives through partnerships has now reduced as the Leisure and Waste services have been insourced. The risk level still remains high as the Council works with partners to achieve several strategic objectives, such as the City Deal, and whilst this brings benefits in terms of wider influence and capacity to deliver, it also means that the Council has less control over successful delivery. Current risk score maintained with existing control measures including the</p>	<p>Planned actions to mitigate risk further include a mid-term review of the City Deal to identify the future direction of the partnership.</p> <p>New actions have also been identified to engage with emerging system changes at a Lancashire Level including in relation to Levelling Up and the delivery of the corporate strategy project to 'join up public services by working through the Chorley and South Ribble Partnership'</p>

					Key Strategic Partnership Framework to provide regular monitoring of key contracts, alongside shared governance arrangements, agreed structures and partnership boards.	
R03- Financial Sustainability	Reduction in current funding streams including government grant and key public sector and third party partners	12	9	→	Current risk score maintained with existing control measures to reduce the risk of poor financial stability include the MTFS and reporting, budget monitoring arrangements and the transformation strategy. Whilst risk remains high due to uncertainty in relation to government funding, the rising cost of living and inflation, the control measures help to ensure that the council is in a strong financial position.	Planned actions to further mitigate risk include engaging in plans aligned to Levelling Up and monitoring the impact of this and any future funding streams and bids to ensure South Ribble benefits from future funding opportunities. The budget planning process for 2022/23 has commenced which will closely monitor any updates from central government regarding future funding, including the UK Shared Prosperity Fund and ensure that our MTFS plans for any reduction.
R04- Management of Capital Programme and Capital Funding	Poor management and monitoring of capital funding and expenditure to deliver large scale improvements to the corporate plan - ensuring that is on track and up to date and projects delivered within agreed timescales and budget	12	9	→	Current risk score maintained. Current measures in place to mitigate risk include quarterly monitoring of the Capital programme, regular budget monitoring arrangements for projects within the capital programme, contract management and staffing support available through informal shared services arrangements with Chorley Council.	Planned actions to be delivered include regular updates of funding arrangements, with the Finance team to meet with service areas to identify alternative funding and to maintain membership of professional bodies to ensure that the staff skills are in place to manage the capital programme.
R05- External Legislation	Failure to account for and/or respond to external legislation	12	8	→	Current risk score maintained. Existing control measures in place include regular policy reviews, policy and legislation	

and Policy Change	and policy change for example those brought about by BREXIT, Universal Credit, GDPR , local government transformation, Green agenda				briefings, response to government consultations, officer and member training and interaction with partner agencies.	
R06- Staff Capacity and Skills	Lack of staff capacity and/ or skills (including as a result of issues in relation to recruitment,) to enable service delivery or for the Council to deliver large-scale capital projects to support the Corporate Strategy	16	12	↑	At the last review of the risk register, the inherent risk score for staff capacity and skills was increased from 9 (medium) to 12 (high) based on risk of vacancies in key areas for service delivery with the risk that these vacancies might be difficult to fill due to national recruitment patterns. Based on feedback from members and the continuation of recruitment issues which are affecting some service areas, the risk has been increased from 12 (high) to 16 (high) and the residual risk from 9 (medium) to 12 (high) to reflect that this is currently an issue being faced by the Council. Current control measures in place include the OD strategy which continues to develop staff's skills, HR mapping of the key gaps and recruitment drives to mitigate this, reviewed employee benefits and the performance review process.	Despite the increasing risk and issues experienced, actions have been identified which will help to mitigate this risk moving forwards. A new action has been identified for the review of management capacity, which will help ensure that there is the right level of capacity at the head of service level. The new People Strategy will also support recruitment, retention and staff development through: <ul style="list-style-type: none"> - delivery of a review of recruitment and onboarding to ensure this is as efficient as possible - consistent graduate and apprentice process to grow our own - annual development day to give staff more time for developing their skills - annual workforce review to provide information on any current or upcoming skills gaps
R07- ICT Security and	Risk to ICT Security impacting on service delivery and data	12	8	→	Current risk score maintained. Current measures in place include security arrangements and policies including	Planned actions to further mitigate risk include the delivery of the Digital Strategy and ICT Plan to ensure that the

Data Protection	protection including failure to comply with GDPR regulations and data legislation				Information Security, security testing, implementation of the SOCITIM review and Government briefings and guidance.	right technology and infrastructure is in place to support ICT security and mandatory Information Security Framework training to be completed by all staff.
R08- Covid Recovery	Failure to adjust practices and processes to reflect the impact of the Covid-19 pandemic.	9	6	↓	Reduction in inherent risk from 12 (high) to 9 (medium) and inherent risk from 8 (medium) to 6 (medium) to reflect reduced risk as Covid-19 measures have relaxed and the council has adapted to new ways of working. Current control measures in place include Covid-19 working practices and procedures and government guidance in respect of grants/ provision of services.	A new corporate strategy project has been identified in relation to recovery from the pandemic which will look to improve pathways and access to support communities in their recovery.
R09- New Ways of Working	Failure to adapt business models and services to reflect changes in the way people interact and do business with the council (including consideration of communities post Covid-19, impact of local economy, and council services)	12	6	→	Risk level maintained to reflect current control measures in place to minimise the risk of not adapting to new ways of working include the Transformation Strategy, Digital Strategy and business planning process which all support the councils to identify and adapt changes to business models and the way people work.	Planned actions to further mitigate risk include a review of the Customer Access Strategy, implementation of the Digital Strategy and ICT Plan and implementation of the Workplace Strategy action plan to ensure that the right processes, technology and culture are in place to support agile and flexible working.
R10- Staff Satisfaction and Morale	Reduction in staff satisfaction and morale with the Council including	12	6	→	The risk score for staff satisfaction and morale was increased at the last review of the risk register to reflect the amount of organisational change being undertaken by the council and the	A new action has been identified to embed regular pulse surveys to be carried out to monitor staff wellbeing and allow for early recognition of issues impacting on staff satisfaction. Other

	increase in sickness absence				<p>recovery of the Covid-19 pandemic. This risk score has been maintained as whilst steps have been taken to support staff wellbeing and morale, further time is needed to embed these steps and realise their impact.</p> <p>Current control measures in place to minimise the risk of low staff satisfaction and morale include consistent HR processes and policy, staff communications and OD strategy, with the Internal Communications Strategy and Organisational Development (as the new People Strategy) to be refreshed as part of planned actions.</p>	actions have also been identified in relation to the delivery of the People Strategy including an interactive staff experience and review and relaunch of staff rewards and recognition.
R11- Brexit	Potential detrimental impact of Brexit upon service delivery or costs	9	6	→	Current risk score maintained as whilst there has been a minimal impact from the BREXIT transition date, the longer-term impact on legislation remains uncertain. Existing control measures include ongoing awareness from SMT.	There is an ongoing planned action in place to review relevant policies and procedures as the longer-term impacts BREXIT emerge.
R12- Corporate Governance Failure	Failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls.	9	6	→	Current risk score maintained. Existing control measures in place include the AGS action plan, Council Constitution, Code of Corporate Governance, Member and Officer protocols and Internal Audit.	Planned actions include a review of the Constitution, to develop the council's approach to fraud, and the develop a range of reports for risk management in line with the annual governance statement actions to allow for more frequent risk information to be shared with Directors around service and project risks.

R13- Political Relationships	Failure to maintain political stability and Officer- Member relationships	9	6	→	Current risk score maintained. Regular portfolio reviews, annual refresh of corporate strategy projects and member briefings are in place as existing measures to minimise the risk of the breakdown of political relationships.	Planned actions include ongoing member training and a review of the approach to committee meetings in line with the Local Government Association to ensure best practice and review effectiveness of the scrutiny function.
R14- Council's Reputation	Damage to the Council's reputation and potential reduction in resident satisfaction	9	4	→	Current risk score maintained. Current measures in place to minimise risk to the council's reputation include strong governance arrangements and frameworks for measuring and monitoring performance including conduct and capability policies, communication and engagement channels, complaints policy, resident satisfaction survey, performance monitoring, the corporate strategy and budget setting process, and the strategic partnership framework.	Actions planned to further mitigate risk include a reviewed customer strategy in line with the shared Customer Services review which will aim to improve the resident experience and thus satisfaction.
R15- Shared Services Arrangements	Failure of existing shared service arrangements/ failure to expand shared services arrangements	9	4	→	Current risk score maintained based on work that has been carried out to strengthen the approach to future phases of shared services. The risk of failure to shared services arrangements has several control measures in place to minimise risk including governance arrangements, shared Chief Executive and SMT and regular performance reporting and	Planned actions include a reviewed approach to future phases of shared services, using lessons learned from previous phases to minimise impact on service delivery and ensure successful shared services.

					monitoring of shared services to Shared Services Joint Committee.	
R16- Council Performance	Failure to sustain performance of Corporate Strategy projects and general organisational performance	12	6	↑	Risk score increased from 9 (medium) to 12 (high) to reflect that whilst there has been relatively stable Council performance during the Covid-19 pandemic, there is a risk in relation to the delivery of work and capacity across the council. Measures in place include quarterly monitoring and reporting through the refreshed performance management framework, business planning process and local indicators.	Further work to develop the performance and project management systems will help embed the approach to performance management and further mitigate risk. The Programme Management Office has support in place to drive forward the delivery of key projects and programmes including the ICT plan, which provides the basis of infrastructure and technology to support the effective use of new technology, and the Delivery Plan which priorities key projects and programmes to ensure we are delivering against key priorities.

Agenda Item 8

Climate change and air quality

19. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Risk

20. Strategic risk for the council is outlined within the report.

Comments of the Statutory Finance Officer

21. There are no direct financial implications of this report however financial risks are monitored through various means including; internal and external audit, financial reporting and financial commentary on all Council reports.

Comments of the Monitoring Officer

22. There are no issues or concerns to raise from a Monitoring Officer perspective. The report is essentially for noting – there are no direct legal implications arising.

Appendices

Appendix A- Strategic Risk Register

Report Author:	Email:	Telephone:	Date:
Caroline Winstanley (Transformation Coordinator)	caroline.winstanley@southribble.gov.uk	N/A	8 July 2022

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Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Existing Control Measure Description	Residual Risk Score	Risk Category	Target Risk Level	Action Plan Title	Action Plan Description	Action Plan Owners
<i>Items in Group: 16</i>											
SRBC Corporate Risk Register 2022											
R01 Incidents Impacting Service Delivery	The ability of the council to continue its service delivery is either halted or scaled back as a result of major incidents such as cyber-attacks, pandemics.	Gary Hall (CEO)	8	Business Continuity Planning & Management / BCP arrangements.	Business Continuity Planning & Management / BCP arrangements are in place and maintained.	6	Risks associated with financial planning & control Risks associated with technology Risks relating to information held	4	Business Continuity Plans	Ensure BCP are reviewed and maintained up to date, including criticality service and role identification and identification of Council's vulnerable Officers. This review should take place annually.	Kerry Maguire (Senior Risk and Insurance Officer)
				Emergency Planning and Management / EP arrangements	Emergency Planning and Management / EP arrangements are in place and are maintained.						
				Emergency and Business Continuity Planning arrangements e.g COMAH, flu, flood (external plans)	Emergency and Business Continuity Planning arrangements e.g COMAH, flu, flood (external plans) are in place and are maintained.						
				IT Business Continuity / Disaster Recover planning	IT Business Continuity / Disaster Recover planning including home working solution in place as appropriate.						
				National, regional and local security plans including Command & control structure	National, regional and local security plans including Command & control structure are in place						
				Government Guidance in respect of provision of Grants / operation of services during any periods of lockdown actioned and implemented.	Government Guidance in respect of provision of Grants / operation of services during any periods of lockdown actioned and implemented.						
									Disaster Recovery / Business Continuity plan for IT	Review Disaster Recovery / Business Continuity plan for IT, ensure homeworking model is maintained, and address any learning points.	Asim Khan (Director (Customer & Digital))
									Establish a forward plan of testing of business continuity plans to ensure they are robust and fit for purpose		Dawn Highton (Shared Service Lead Audit and Risk)
									Monitoring of the Ukraine Crisis	SMT are to monitor the impact of the Ukraine crisis on business continuity to identify emerging issues and mitigating actions	Gary Hall (Chief Executive)

				Provision of support from Council services as appropriate.	Council Services are available to provide support as appropriate.						
				Regular updates with government regarding additional funding, reviewing areas of non-essential spend and loss of income as part of budget monitoring processes, mitigating risk through review of reserves as part of MTFS	Regular updates with government regarding additional funding, reviewing areas of non-essential spend and loss of income as part of budget monitoring processes, mitigating risk through review of reserves as part of MTFS						
				Creation of services / partnership working / work with faith, community and voluntary sector to provide support for businesses and households.	Creation of services / partnership working / work with faith, community and voluntary sector to provide support for businesses and households.						
				In year budgets and MTFs reviewed	Processes are in place to review in-year budgets and MTFs to identify and release necessary resources, including staffing, to implement mitigating actions.						
R02 Failure to Deliver Outcomes through Strategic Partnerships	Failure to achieve desired outcomes through strategic relationships including City Deal	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	12	Key Strategic Partnership Frameworks and Agreements	Key Strategic Partnership Frameworks and Agreements in place including regular reviews and performance monitoring.	9	Risks impacting on the achievement of corporate objectives and priorities Risks relating to the failure of partners/contractors or the contract itself	4	Governance Arrangements	Review Governance arrangements to ensure operating effectively	Chris Moister (Director of Governance)
				Shared Governance Arrangements	Shared Governance arrangements in place and agreed to including agreed aims and objectives; Joint working protocols				City Deal	Review of councils continued involvement - City Deal	Jonathan Noad (Director (Planning and Development))
				Partnership Boards	Partnership Boards including representatives from the Council						

				Transformation Strategy	Strategy in place to identify opportunities for efficiency and income generation.						
R04 Poor Management of Capital Programme and Capital Funding	Poor management and monitoring of capital funding to deliver large scale improvements to the corporate plan - ensuring that is on track and up to date and projects delivered within agreed timescales and budget	Mark Lester (Director (Commercial and Property)) Rachel Salter (Service Lead (Development and Business)) Louise Mattinson (Director of Finance)	12	Capital Funding reflects priorities in Corporate Strategy	Capital Funding reflects priorities in Corporate Strategy	9	Risks associated with financial planning & control Risks relating to the failure of partners/contractors or the contract itself	4	Update funding arrangements as part of quarterly budget monitoring to members and standing item on Leader Briefing	Finance team meet regularly with services to update funding arrangements of capital programme including identifying alternative sources such as CIL, S106 and grant funding bid	Asim Khan (Director (Customer & Digital)) Mark Lester (Director (Commercial and Property)) Chris Moister (Director of Governance) Jennifer Mullin (Director of Communities) Jonathan Noad (Director (Planning and Development)) Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble)) Louise Mattinson (Director of Finance)
				Quarterly monitoring of capital programme and funding to Programme Board	Quarterly monitoring of capital programme and funding to Programme Board. Early identification and reporting of changes to project budgets, project delivery timescales and funding arrangement.						
				Contract Management	Project team leads assigned to lead on and oversee contract management responsibilities with external funding programmes.						
				Shared Services Staffing	Access to temporary staffing resource through an informal arrangement related to shared services with Chorley Council. This provides additional capacity to help manage capital projects. Additional shared Director level post for Future Investments						
R05 Not Responding to External Legislation and Policy Change	Failure to account for and/or respond to external legislation and policy change for example those brought about by BREXIT, Universal Credit, GDPR , local government transformation, Green agenda	Mark Lester (Director (Commercial and Property)) Chris Moister (Director of Governance)	12	Regular policy reviews by relevant officers within individual services.	Regular policy reviews by relevant officers within individual services.	8	Risks relating to the reputational risks to the Council Risks relating to information held Risks relating to Legal/Regulatory requirements	4	Membership of professional bodies and other associations	Services to review and maintain necessary membership of professional bodies and other associations such as RTPI, RICS and CIOH	Asim Khan (Director (Customer & Digital)) Mark Lester (Director (Commercial and Property)) Chris Moister (Director of Governance) Jennifer Mullin (Director of Communities) Jonathan Noad (Director (Planning and Development)) Chris Sinnott (Deputy Chief Executive
				Circulation of regular policy and legislation briefings	Circulation of regular policy and legislation briefings in service areas, weekly briefings from LGA.						

				Proactive arrangements to respond to consultations from central government departments and agencies	Proactive arrangements to respond to consultations from central government departments and agencies					(Director of Communities) Jonathan Noad (Director (Planning and Development)) Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	
				Officer and Member induction and training, CPD and attendance on relevant training courses specific to service areas.	Learning and development protocols and budget in place to ensure officer and member induction and training, CPD and attendance on relevant training courses specific to service areas.			Transformation Strategy	Review Transformation Strategy and programme to ensure opportunities in local government transformation are considered.	Vicky Willett (Director Change and Delivery)	
				Maintenance of interaction with partner agencies.	Maintenance of interaction with partner agencies in local service areas and Strategic Partnerships.						
R06 Staff Capacity and Skills	Lack of staff capacity and/or skills (including as a result of issues in relation to recruitment) to enable service delivery or for the Council to deliver large scale capital projects to support the Corporate Strategy.	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	16	Organisational Development	Organisational Development strategy and budget to identify training needs, deliver training, and support staff to deliver capital and corporate strategy projects.	12	risks associated with recruiting, retaining and motivating staff & developing skills; risks associated with recruiting, retaining and motivating staff & developing skills;	4	Shared Services arrangements	Continuous Development of Shared Services arrangements in line with discussion with Members to support additional resilience and shared capacity for the organisation.	Gary Hall (CEO)
				Employee benefits kept under review	Employee benefits kept under review to help retain skilled staff.						
				Staff and member development / PDR's	Staff and member development / PDR's to identify training and skills needs.						
				Resilience from shared service arrangements.	Resilience from shared service arrangements to support capacity in shared teams and across the organisation.				People Strategy	Develop a People Strategy focused on developing skills and expertise within the organisation and ensuring that succession planning arrangements are in place.	Vicky Willett (Director Change and Delivery)
				Management Restructure	Senior management restructure carried out as part of shared services has increased senior management capacity and allocated clear responsibilities for different functional areas.						
				Reviewed HR Policies including pay/recruitment policies	Approved policies such as pay/recruitment policies to help retain and attract skilled staff. This includes the use of market supplements where required.						

								Review of recruitment and onboarding		Vicky Willett (Director Change and Delivery)	
								Annual workforce review		Vicky Willett (Director Change and Delivery)	
								Annual development day		Vicky Willett (Director Change and Delivery)	
								Consistent graduate and apprentice process		Vicky Willett (Director Change and Delivery)	
								New Recruitment System	New recruitment system to deliver an improved candidate experience and encourage applications for roles.	Vicky Willett (Director Change and Delivery)	
								Workplace Strategy	Delivery of Workplace strategy action plan to support agile and flexible working to attract and retain skilled staff.	Vicky Willett (Director Change and Delivery)	
R07 ICT Security and Data Protection	Failure to comply with GDPR regulations and data legislation leading to action taken against the council, including reputation and legal action resulting in fines.	Asim Khan (Director (Customer & Digital))	12	Security Arrangements and Policy	ICT security / Cyber Security arrangements; GDPR / Data Protections policies and arrangements in place ; Information Security Policies in place	8	Risks associated with technology Risks relating to information held Risks relating to Legal/Regulatory requirements	4	Data Backup	Review DR / BC arrangements for compliance. Review Data backup and recovery arrangements for compliance and effectiveness.	Dawn Highton (Shared Service Lead Audit and Risk)
				Information Security Policies and Procedures	Information Security Policies and Procedures in place to ensure employee compliance with security practices.						
				Security Testing	PSN accreditation / ICT security testing / ICT security firewall testing.				GDPR Audit Review	Actions arising from GDPR audit review to be implemented;	Dawn Highton (Shared Service Lead Audit and Risk)

				Business Continuity Arrangements Disaster Recovery / Business Continuity Plan and arrangements. Data backup and recovery arrangements and agreements					Management actions to be monitored and reported back to Leadership Team and Governance Committee as appropriate.	Asim Khan (Director (Customer & Digital))
				SOCITIM Review SOCITIM review implementation						
				Member and Officer Policies and Training Member and Officer Policies and Training in place						Vicky Willett (Director Change and Delivery)
				Audit and Governance Regular audits of compliance / governance arrangements undertaken						Asim Khan (Director (Customer & Digital))
				Government guidance and briefings Government guidance and briefings including membership of security forums.						
R08 Failure to Recover Effectively from Covid-19	Failure to adjust our practices and services to reflect the impact of the Covid-19 pandemic.	Gary Hall (CEO)	9	Government Guidance in respect of provision of Grants/operation of services during any periods of lockdown actioned and implemented	Government Guidance in respect of provision of Grants/ operation of services during any periods of lockdown actioned and implemented.	6		6	Pandemic Recovery Corporate Project	Jennnifer Mullin (Director of Communities)
				COVID-19 working practices and procedures in place	COVID-19 working practices and procedures in place in line with Government guidance e.g. handwashing, agile working, etc. to ensure Council recovers effectively from Covid-19 and service delivery is not impacted.					
R09 Not Adapting to New Ways of Working	Failure to adapt business models and services to reflect changes in the way people interact and do business with the council (including consideration of communities post Covid-19, impact of local economy and council services)	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	12	Transformation Strategy Transformation Strategy in place to identify opportunities for new ways of working.	Digital and Customer Strategies in place to set out the development	6	Risks associated with technology Risks relating to operational activity	4	Customer Strategy Review Customer Strategy	Asim Khan (Director (Customer & Digital))

	Council Services)			Strategies	of agile services and support their successful delivery through digital inclusion. Supporting stakeholders to adapt to new ways of working.			Workplace Strategy	Delivery of workplace strategy action plan to ensure the processes, technology and culture are in place to support agile and flexible working	Vicky Willett (Director Change and Delivery)	
				Business Planning	Business planning process in place with annual review to consider how business models should be adapted to reflect changes in the community.			Digital Strategy	Implementation of Digital Strategy and ICT plan to ensure that the right technology is in place to support agile working and to facilitate and improve customer access to services.	Asim Khan (Director (Customer & Digital))	
R10 Low Staff Satisfaction and Morale	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	Vicky Willett (Director Customer and Digital)	12	Organisation Development Strategy	Organisation Development Strategy to provide support and resilience to organisational change and support employee personal development and wellbeing.	6	risks associated with recruiting, retaining and motivating staff & developing skills; risks associated with recruiting, retaining and motivating staff & developing skills;	4	Staff Sickness Statistics	Gather staff sickness statistics to inform processes	Vicky Willett (Director Change and Delivery)
				HR Processes	HR processes in place (inc PDPs for development)			Internal Communications Strategy	Refresh internal communications strategy (including work through Listening Day working groups and refreshed intranet)	Andrew Daniels (Shared Service Lead - Communications and Visitor Economy)	
				Staff Communications	Staff communications and engagement including intranets, core briefs, listening days and working groups.			Staff Survey	Utilise staff survey to identify areas for action	Vicky Willett (Director Change and Delivery)	
								Pulse Survey	Regular pulse surveys to be carried out to monitor staff wellbeing	Vicky Willett (Director Change and Delivery)	

								Review and relaunch of staff rewards and recognition		Vicky Willett (Director Change and Delivery)	
								Interactive staff experience		Vicky Willett (Director Change and Delivery)	
								Refresh of OD Strategy	Refresh of OD strategy (as a People Strategy) to take into account staff morale and findings of staff survey to ensure effective interventions for staff satisfaction are in place.	Vicky Willett (Director Change and Delivery)	
R11 Detrimental Impact of Brexit	Potential detrimental impact of Brexit upon service delivery or costs	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	9	Impact Awareness	Senior Management to be aware of potential impact on their services including through supply chains, partners and consultancy through regular monitoring/briefings/training/government legislation.	6	Risks relating to Legal/Regulatory requirements	4	Policy and Procedure Review	Review of current policies and procedures once full impact of Brexit is known (H+S, planning, procurement etc)	Asim Khan (Director (Customer & Digital)) Mark Lester (Director (Commercial and Property)) Chris Moister (Director of Governance) Jennifer Mullin (Director of Communities) Jonathan Noad (Director (Planning and Development)) Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))
R12 Corporate Governance Failure	Failure to implement and maintain the corporate governance framework action plan leading to continued fundamental weaknesses in internal controls	Chris Moister (Director of Governance)	9	Annual Governance Statement Action plan.	AGS Action plan has been delivered to put in place strong governance procedures and frameworks in addition to HR policies, performance, partnerships, communications and OD.	6	Risks relating to the reputational risks to the Council Risks relating to Legal/Regulatory requirements	4	Annual Governance Statement	Develop more inclusive approach to development & production of AGS to enable service areas to take ownership of	Chris Moister (Director of Governance)

	Council Constitution, Local Code of Corporate Governance & Codes of Conduct	Council Constitution, Local Code of Corporate Governance & Codes of Conduct are in place to set out governance arrangements for the council.				actions - review and refresh the annual governance statement action plan and produce service assurance statements.	
	Member and Officer Protocols	Member and Officer Protocols are in place to create clear protocols as to how members and officers work in relation to each other.					
	Internal Audit Plan	Internal Audit Plan					
	Individual Audit Reviews	Individual Audit Reviews					
	Financial Procedure Rules and Contract Procedure Rules	Financial Procedure Rules and Contract Procedures Rules are in place to ensure financial regulation and adherence to statutory frameworks.					
					Constitution	Review and align areas of Constitution as required	Chris Moister (Director of Governance)
					Member & Officer protocols	Ensure Member & Officer protocols maintained up to date and aligned for Shared Services as required.	Chris Moister (Director of Governance)
					Local Code of Corporate Governance	Revise Local Code of Corporate Governance, update and align to CIPFA / SOLACE requirements	Chris Moister (Director of Governance)
					Financial Procedure Rules	Review Financial Procedure Rules to ensure that they are maintained and up to date.	Louise Mattinson (Director of Finance)

								Fraud arrangements	To develop the council's approach to fraud following the assessment of the councils arrangements against Fighting Fraud and Corruption Locally 2020-25	Dawn Highton	
								Risk Management Reporting	Range of reports to be developed to allow Directors to challenge data held within GRACE for partnership, project and operational risks	Dawn Highton	
R13 Breakdown in Political Relationships	Failure to maintain political stability and Officer-Member relationships	Chris Moister (Director of Governance)	9	Reviewed Democratic Service	Reviewed Democratic service providing additional management capacity and shared resource to ensure resilience in service delivery.	6	Risks relating to operational activity	4	Review Constitution	Review constitution to review formality	Chris Moister (Director of Governance)
				Portfolio Reviews	Regular portfolio reviews are in place.				Member Training	Ongoing member training programme in place.	Chris Moister (Director of Governance)
				Member Briefings	Regular Member briefings including Leader briefings, opposition briefings and briefings for cabinet members.				Work with the LGA and CfGS to examine approach to committee meetings	Review approach to committee meetings to reflect best practice and scrutiny function	Chris Moister (Director of Governance)
				Corporate Strategy Priorities	Clear Corporate Strategy priorities refreshed annually				Member Code of Conduct	Updating Member code of conduct and investigation procedure to ensure good governance and political stability.	Chris Moister (Director of Governance)
R14 Damage to the Council's Reputation	Damage to the Council's reputation and potential reduction in resident satisfaction	Chris Moister (Director of Governance)	9	Governance Arrangements	Effective Governance and decision making arrangements in place	4	Risks relating to the reputational risks to the Council	4	Customer Strategy	Review Customer Access Strategy, Customer	Asim Khan (Director (Customer & Digital))

				<p>Communication and Engagement Regular communication and engagement with local stakeholders, businesses and residents through consultations, use of social media channels, and other medias.</p> <p>Compliments and Complaints Policy Compliments and complaints policy and procedure in place</p> <p>Social Media Response Monitoring of social media and response through Communications team</p> <p>Resident Satisfaction Survey Resident satisfaction survey to engage with residents and include feedback in development of corporate strategies and plans.</p> <p>Planning Policies Planning policies to ensure consistent procedures and arrangements in place for planning.</p> <p>Corporate Strategy Tangible improvement projects in the corporate strategy.</p> <p>Performance Monitoring Performance Monitoring framework in place to identify areas of concern and action plans to address.</p> <p>Budget Setting Process Additional investment in priority areas ongoing through budget process</p> <p>Conduct and capability Staff and Member Conduct and capability policies in place to minimise behaviour that could negatively impact on the Council's reputation.</p> <p>Strategic Partnership Framework Strategic Partnership Framework in place to ensure successful partnerships with the aim of achieving corporate priorities.</p>				<p>Charter and Customer Care Standards in line with Shared Customer Services Review.</p> <p>Reviewed consultation and engagement framework Reviewed consultation framework ensures that there are clear and consistent processes in place for engaging with residents and other stakeholders.</p> <p>Communications Strategy Refresh and implementation of the new Communications Strategy</p>	<p>Vicky Willett (Director Change and Delivery)</p> <p>Andrew Daniels (Shared Service Lead - Communications and Visitor Economy)</p>
R15 Failure Shared Service Arrangements	Failure of existing shared service arrangements/failure to expand shared service arrangements	Gary Hall (CEO)	9	<p>Governance Arrangements Effective Governance arrangements in place including Shared Services Joint Committee to Shared Services Agreement outlining protocols and arrangements in the event of shared services failure.</p> <p>Trade Union Engagement Regular engagement with trade unions as part of the shared services development including regular SJCC meetings.</p>	4	Risks relating to the failure of partners/contractors or the contract itself Risks relating to operational activity	2	<p>Benefits realisation and performance monitoring Regular reporting framework to be put in place to ensure benefits realisation and performance is monitored at Shared Service Joint Committee quarterly.</p>	Vicky Willett (Director Change and Delivery)

				Development of Phased Approach Plan	Phased approach Plan developed and agreed to manage the implementation and transition to shared services with current resource and capacity.			Shared Services Development	Future of shared services to be outlined and agreed with members to ensure a clear path for future development.	Vicky Willett (Director Change and Delivery)	
				Shared Chief Executive	Shared Chief Executive and Senior Management Team, ensuring consistent corporate approach across the organisations.						
				Regular performance and benefits monitoring to Shared Services Joint Committee				Refreshed approach to shared services	Reviewed approach to include consideration for lessons learned from previous phases of shared services to minimise impact on service delivery and ensure successful shared services	Vicky Willett (Director Change and Delivery)	
				Shared Change Policy	Shared Change Policy in place to develop a clear and consistent approach to organisational change, enabling the successful implementation of restructure and minimising impact on staff.						
R16 Council Underperformance	Failure to sustain performance of Corporate Strategy projects and general organisational performance	Vicky Willett (Director Customer and Digital)	12	Quarterly Performance Monitoring and Reporting	Quarterly performance report to Executive Cabinet.	6	Risks relating to operational activity	2	Performance Leads Network	Embed performance and project management frameworks through network sessions.	Vicky Willett (Director-Change and Delivery)
				Business Planning	Business planning process to identify key service projects, resources required and interdependencies.						
				Local Indicators	Local indicators in place to measure performance across services.				Further work to develop performance and project management systems		Vicky Willett (Director-Change and Delivery)
				Programme Board	Programme Board in place to measure performance across services				PMO Support	Programme Management Support available to support delivery of key programmes including the ICT Plan and Delivery Plan	Vicky Willett (Director-Change and Delivery)

Report of	Meeting	Date
Director of Governance and Monitoring Officer	Governance Committee	Tuesday, 26 July 2022

Centre for Governance and Public Scrutiny - Review

Is this report confidential?	No
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Is this decision key?	Not applicable
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Purpose of the Report

1. To present to the Governance Committee the report prepared by the Centre for Governance and Public Scrutiny (CfG&PS).

Recommendations to Governance Committee (change committee name if not applicable)

2. That members of the Committee receive the recommendations and findings in the report and note the further presentation to members through a workshop facilitated by CfG&PS.
3. That the membership of the workshops be
 - a. Leader of the Council
 - b. Deputy Leader of the Council
 - c. Leader of the Opposition
 - d. Deputy Leader of the Opposition
 - e. Leader of the Liberal- Democrats
 - f. Mayor.
4. That it is agreed that following the workshop it is intended a report be taken to full council to review and approve the recommendations, actions and proposed responses for further implementation.

Reasons for recommendations

5. The report was commissioned by the Council to provide an independent view of the changes the council has implemented to its governance environment, identify any additional areas for improvement and make recommendations to address these issues. To ignore the report would undermine its intention and lose an opportunity to improve.

Other options considered and rejected

6. For the reasons above no other option is considered appropriate.

Agenda Item 9

Corporate priorities

7. The report relates to the following corporate priorities: (please bold all those applicable):

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

8. As part of the Council's commitment to continuous improvement and in response in part to the 2020/21 External Audit the Centre for Governance and Public Scrutiny were commissioned to undertake a high-level stand back review of the Council's Governance environment.
9. This was an independent consideration of areas of highlighted concern to suggest improvements and of where changes had been made what had been the implications.
10. As part of the review process, CfG&PS met with members and officers and reviewed recordings of meetings. The findings are detailed in the review and a number of recommendations were made.
11. Overall the views of CfG&PS should be seen as positive. The constitutional changes relating to Member led decision making are considered an improvement providing greater transparency and accountability. However, the scheme of delegation needs refreshing to ensure responsibility for decision making is clear.
12. Whilst the review did not find that the behaviours during meetings went beyond what could be expected in political push and shove, there were recommendations relating to training of committee chairs, development of members in understanding their roles and concentrating on developing relationships between members to enable constructive debate and not overly concentrate on the past.
13. Similarly to the finding above, the review did find that some committees acted beyond their remit and this had led to duplication of work. Recommendations to refocus these meetings included, specific agenda items and reports for Scrutiny, the refreshing of the protocol for Governance and Scrutiny Committees to embed the understanding of the roles of those committees and improvements to the agenda management process.
14. The final area for consideration related to public engagement. The review finds no issue with the level of public engagement at meetings which reflects that members interviewed had no appetite to change this. However, it is recommended to re-sequence public involvement, which currently takes place at the end of the debate, to ensure members have the opportunity to consider and respond to points raised.

Next steps

15. The CfG&PS recommend that the findings and recommendations are presented to members through a workshop facilitated by them. This enables the CfG&PS to provide context to the report, and members to flag up any issues or seek further explanation before the recommendations are developed and agreed to be presented to full Council for approval and implementation.

Climate change and air quality

16. The report has no implications for climate change and air quality.

Equality and diversity

Agenda Item 9

17. It is not envisaged that the outcomes from this report will have matters which have implications for equality or diversity, but any changes proposed will be considered in this context in accordance with Council policy.

Risk

18. Any changes proposed or adopted through the recommendations will be considered carefully to establish the consequences of the changes to ensure they are fit for purpose.

Comments of the Statutory Finance Officer

19. There are no financial consequences of this report.

Comments of the Monitoring Officer

20. The comments are contained in the body of the report..

Background documents

There are no background papers to this report

Appendices

Appendix A – Centre for Governance and Public Scrutiny – stand back review report

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance)	chris.moister@southribble.gov.uk	01772 62xxxx	

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Chris Moister
Director of Governance
South Ribble Council

Dear Chris

Short Review of Constitution – CfGS consultancy support

I am writing to thank you for inviting the Centre for Governance and Scrutiny (CfGS) to carry out an evaluation of South Ribble Council's changes to its Constitution. This letter provides feedback on our findings and offers suggestions on how the Council could develop and embed its changes or make further refinements.

As part of this feedback stage, we would like to facilitate a workshop with Members and Officers to reflect on this review and to discuss options for improvement.

Background

South Ribble Council completed a review of its constitution in 2020 which introduced a number of changes to the way the council operates and how Members and public engage in meetings.

The LGA Corporate Peer Review in 2021 also referenced progress being made towards historic governance issues and challenges but suggested that more needed to be done. As also referenced in the CPR *'The Council's governance challenges have been illustrated by their External Auditors issuing statutory recommendations for three consecutive years from 2017-2020, with a Section 24 report being issued in 2018'*

The council has implemented change since the review of its constitution and the effect of changes have started to embed. It is good practice to review their impact and benefits or identify potential need for further refinement or change.

The council engaged CfGS as an external and impartial organisation and to independently review these constitutional changes and provide an assessment of their impact and contribution to good governance.

This proposal provides a step-back review of the constitution changes and the effect they have had upon the way the council functions.

Review outline

This review is a short, 'step-back' exercise based on assessing the following

- **Impact of changes in constitution**

The review will examine the changes in the council's constitution since this was reviewed in 2020 and how this has affected how the council operates and the efficiency of meetings to deliver positive outcomes

- **Member roles and relationships**

The review will explore how well Members are able to exercise their role in relation to the framework and standing orders of the constitution. It will also consider any change in the culture of the organisation, especially in relationships and meetings

- **Executive decision-making, accountability and scrutiny**

The review will study the effect of changes to the constitution on executive decision-making and policy development. It will also look into how the executive is both supported and held to account and its relationship with scrutiny and appropriate, effective accountability.

The review will also specifically consider questions to the Executive Members at full council and the triggering of repeat debates (noting that SRBC has an open cabinet system and report on Cabinet Business to full council); and the role of Scrutiny at SRBC; whether its present role provides an appropriate level of scrutiny in an open and transparent way

- **Public involvement**

The review will look into public engagement since the changes and how this may have benefited the Council, Members and Public

The review involved conversations with Members and Officers, observation of meetings (recordings or live online), a review of key documents; agendas, minutes etc.

The review was conducted by:

- Ian Parry- Head of Consultancy, Centre for Governance and Scrutiny
- Lisa Smart, Senior Associate, Centre for Governance and Scrutiny

Summary of findings:

Our conversations with members and officers of South Ribble Borough Council focused on four key themes. We have addressed each of those four themes in turn and will also make recommendations for improvement in each of those areas.

1. Impact of changes in constitution

Overall, we heard that members and officers felt that there was more clarity around decision-making authority. The changes brought in by the 2020 Constitutional Review have been mostly welcomed by members and officers who reported that both clarity and transparency had been improved. Cabinet members being the key decision makers with officers being the implementors of those decisions was now better understood than had been the case previously.

The ability for Councillors to send a substitute to the committee if they were unable to attend, was a welcome change and appears to be working well. This change has enabled the political balance of a committee to be maintained, thereby ensuring that different political views were represented in cases of member absence.

Our discussions with Members revealed that the changes are not universally accepted. There is disagreement which appears to be based on political group relative positions. Since the current Administration came into office in 2019, subsequent changes were felt by some as being done “to” members, rather than “by” members. However, we saw evidence that changes followed the correct procedural route (i.e., via Governance Committee to Full Council), where appropriate Member involvement was included.

The Scheme of Delegation was mentioned as an area which potentially may need more work to bring further clarity to decisions delegated to officers. We suggest that this further clarity would be welcomed by Members.

During our review the Council’s licensing committee appointed a new chair when the incumbent was appointed to the cabinet following the sad death of the former chair. A question was raised regarding the committee’s authority to elect its own chair as the Council’s constitution states that the chair of a committee is appointed by full Council. The committee itself can elect a chair for a meeting, should the chair be absent, but the formal role of chairing the Committee is a decision for the full Council. The sequencing of the decision may have been affected by meeting cycles, but for the sake of clarity it is correct to note that Chair appointments are council decisions based on the recommendation of the Leader.

We recommend:

- Members should consider refreshing the Scheme of Delegation to ensure they are comfortable with the level of authority given to officers to implement the detail of member decisions.

2. Member roles and relationships

The LGA's Corporate Peer Review 2021 states "a significant deal of political energy and time is still expended addressing the history of SRBC, and that the opportunity exists now to move attention to more productive and forward-facing issues."

Our observations of Council meetings, Governance Committee meetings and Planning Committee meetings, we would agree that a disproportionate amount of time is spent discussing the past, rather than focusing on current, or more importantly, future issues.

We were told repeatedly that the tone of some interactions between members can be terse and can become hostile across the political groups. We heard that the behaviours and relationships can sometimes be described as hostile. This may still exist. However, during our meeting observations the tone and behaviours were not especially notable, and behaviour did not go beyond what might be considered the normal "push and shove" of political debate.

During our conversations we noted that Members value the opportunity to ask questions of the Leader and Cabinet Members in the Council meeting. This opportunity is used to drive debate and raise issues and we found no particular interest in changing this.

Some Members raised a concern about the role of committee chairs in ensuring any discussions stayed within the remit of that committee. To illustrate this point, specific reference was made regarding a discussion at a recent Governance Committee which was allowed to venture considerably outside the responsibilities of the committee. All Chairs have a responsibility to ensure that meetings stay focused and on-track, whilst allowing discussion flow within reasonable boundaries which maintain relevance and contribute to the overall debate.

We recommend:

- Committee chairs should be offered specialised training to empower them and provide further skills and capacity for effective meeting management.
- Members of all political groups should seek outside support in preparing for a future administration.
- Members of all political groups should continue to approach their relationships in a consensual and constructive way, building for the future rather than revisiting the past.

3. Executive decision making, accountability and scrutiny

Acknowledging that Cabinet Members are politically responsible for the strategy, policy, budget, corporate plans and key decisions within the council. There is a reasonable expectation that they are also democratically accountable for these matters. Whilst there may be questions and debate in Full Council, there is also a need for scrutiny committees to be the correct place for the detailed accountability to take place.

This accountability should not be adversarial or politically motivated but designed to be constructive and useful as well as challenging. The role of scrutiny to add greater insight as well as oversight is a crucial part of council governance. Scrutiny should aim to improve through bold challenge and quality recommendations.

We would suggest that scrutiny makes this aspect of its work a real priority. It will take effort on all sides to develop a culture of mature debate and exchange focused on improvement and based on consensus.

On the reverse of this, who chairs scrutiny is often an issue in councils. From our perspective there is no consistent practice and no specific guidance. There is wide variation across councils. There is also no consistent evidence that one model is better than another, ie that 'opposition' chairs are more effective than 'controlling or largest group' appointed chairs. The real test is both the ability of the Chair to offer impartial, robust and 'fearless' scrutiny, and the culture of the council that promotes the role and values the contribution of scrutiny that does provide constructive challenge and operates in a safe space with good collaboration and clear objectives.

We heard from some Members that scrutiny could be improved by the appointment of Opposition Member Chairs. However, evidence from elsewhere suggests that improvement is most likely to be gained from addressing cultural issues around behaviours, relationships, collaboration, focus and mission. Clearly having a Chair who can provide impartiality and inclusion as well as a set of skills that can help to drive the committee is also highly desirable.

We therefore have no recommendations to make in this area other than addressing the areas of culture and political co-operation.

We were struck by the evidence of recorded committee meetings by the apparent lack of shared understanding of the roles and remits of different committees. We noted this especially between the Governance and Scrutiny Committees where an overlap or duplication was evident. This situation could lead to duplication of effort and confusion and, as such, we recommend that the joint protocol for Governance and Scrutiny be refreshed to improve clarity and efficiency.

Agenda management appears to be an issue for some Members who cited the timeliness of reports for committee agendas as an issue, along with supplementary items being circulated after the publication of agendas. This they felt made their personal planning and preparation for the meeting more difficult and therefore their input to meetings potentially less effective. This issue is acknowledged by Officers as a few isolated issues rather than the norm and that the report production process and capacity causes were being addressed.

The council's call-in procedures are an area of potential disagreement and misinterpretation. It is not uncommon to in councils we review to find call-in procedures being used for reasons other than those set out in the council's constitution. In extreme cases they can be used as a political weapon or as a disruption mechanism. Neither of which is generally helpful to efficient decision-making and effective scrutiny.

We explored several 'urgent' decisions which had been exempted from call in, and we are grateful for the background information supplied to us by Council officers which aided our work in this area.

Firstly, we did not find an unusual number of decisions exempted from call in, which seemed comparable to other councils known to CfGS. However, we did notice that, in some cases, officers appeared to be waiting for all relevant information to be available on some items before preparing the decision for members. Members may wish to consider reviewing their scheme of delegation so that they are comfortable that members are taking decisions in principle, with officers empowered to implement the detail. This could enable formal decisions to be taken in line with the desired timelines of the Council's processes without holding up important projects.

We recommend:

- A clearer focus on democratic accountability - Scrutiny of Cabinet Members should form a key part of the work plan, and Cabinet Members regularly attending scrutiny to answer questions on items falling within their portfolio responsibilities is vital. Alongside this, we also recommend inviting the Leader also frequently attend scrutiny perhaps to present an integrated finance and performance report or an update on the delivery of corporate plans.
- The Joint Protocol between the Governance Committee and Scrutiny Committee should be refreshed to ensure a shared understanding between members of the roles and remits of the two committees.
- That the process of agenda management and reports be assessed and a clear acceptable process and timescales for publication and release of documents is commonly understood.

4. Public Involvement

We were asked to investigate whether the approach South Ribble Borough Council takes to engaging and involving members of the public. The Council's constitution permits members of the public to contribute at Council and committee meetings in a way that is more extensive than most other Councils.

Rule 15 of the Council's constitution starts by saying, "Public Participation Members of the Public may ask a question, or make a statement to address the meeting, on any matter of Council business or on anything which affects the borough or residents, provided it is relevant to the Council's functions or duties."

There was clear support from across the Council for the speaking rights members of the public have to contribute at Council and committee meetings. Indeed, members from all political groups talked of their "pride" in the way the Council involves the public.

There was no desire to change the existing rules or to limit the public's ability to question or challenge their elected members.

The only real concern we found was that public contributions on any item (aside from planning applications) usually came after the debate had taken place between elected members, thereby giving the public the last word, and not encouraging members to reflect or respond to those contributions. As such, the one recommendation we have in this area is for the Council to review the sequencing of contributions, to enable the views of the public to be fully considered by members before any formal decision is taken.

We recommend:

- Re-sequencing the order of contributions from members of the public in any Council or committee meetings should be reviewed. Consideration should also be given to bringing public contributions ahead of any debate between elected members. This would bring other committees in line with the discussion and debate that takes place at Planning Committee.

Review feedback and Member workshop

As part of this review CfGS would be pleased to attend a Member workshop to go through the findings of this report and to consider with Members areas that might be considered to improve scrutiny in the future.

Thank you and acknowledgements:

CfGS was commissioned by South Ribble Borough Council to provide advice and support upon a review of their constitution.

We would like to thank those members and officers who took part in interviews and observations for their time, insights, and honesty.

Yours sincerely,

Ian Parry,
Head of Consultancy

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