

## Governance Committee

Wednesday, 3rd August 2022, 2.30 pm  
Council Chamber, Town Hall, Chorley and YouTube

### Agenda

#### Apologies

- |   |   |                  |
|---|---|------------------|
| 1 | <b>Minutes of meeting Wednesday, 1 June 2022 of Governance Committee</b>  | (Pages 3 - 8)    |
| 2 | <p><b>Declarations of Any Interests</b></p> <p>Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.</p> <p>If you have a pecuniary interest you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.</p> |                  |
| 3 | <p><b>External Audit Progress Report and Sector Update</b></p> <p>To receive and consider the report of the External Auditor, Grant Thornton.</p>   | (To follow)      |
| 4 | <p><b>External Audit Annual Report</b></p> <p>To receive and consider the report of the External Auditor, Grant Thornton.</p>   | (To follow)      |
| 5 | <p><b>Treasury Management Outturn Report (2021/22) &amp; Quarter 1 Monitoring Report (2022/23)</b></p> <p>To receive and consider the report of the Director of Finance.</p>  | (Pages 9 - 30)   |
| 6 | <p><b>Draft Core Financial Statements 2021/22</b></p> <p>To receive and consider the report of the Director of Finance.</p>   | (Pages 31 - 50)  |
| 7 | <p><b>CIPFA Resilience Index 2020/21</b></p> <p>To receive and consider the report of the Director of Finance.</p>  | (Pages 51 - 64)  |
| 8 | <p><b>Strategic Risk Review</b></p> <p>To receive and consider the report of the Director of Change and Delivery.</p>   | (Pages 65 - 110) |

Meeting contact Nina Neisser on 01257 515140 or email [nina.neisser@chorley.gov.uk](mailto:nina.neisser@chorley.gov.uk)

9 **RIPA Application Update**

The Monitoring Officer will present a verbal report at the meeting.

10 **Governance Committee Work Programme 2022/23**

To receive and consider the work programme for the Committee.

11 **Any urgent business previously agreed with the Chair**

(Pages 111 -  
112)

Gary Hall  
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillor Debra Platt (Chair), Councillor Mark Clifford (Vice-Chair) and Councillors Sam Chapman, Gordon France, Margaret France, Michelle Le Marinel, Dedrah Moss and Neville Whitham.

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The Committee noted that the External Auditors were proposing an additional fee of £17k in relation to the 2020/21 audit, partly due to the timeliness of responses from officers.

Members discussed the additional fees and were advised that the delays were a result of sickness absences and maternity leave within the finance team which meant that information was unable to be provided in a timely manner. Attempts had been made to recruit agency staff, but this had proved difficult working remotely. Reassurances were made that this has now been addressed and work has been undertaken to avoid this occurring going forward. A detailed timetable has been created and officers have undertaken a training session with Grant Thornton. Officers also met regularly with the External Auditors towards the end of the last audit which proved useful.

**Resolved -**

- 1. That the report be noted.**
- 2. That the committee approves the increase in the 2020/21 Audit Fee of £17,000.**

#### **22.G.4 External Audit Plan 2021-22**

Matt Derrick, Grant Thornton presented the report of the External Auditor on the Chorley Borough Council Audit Plan 2021/22 which summarises the findings of the initial planning.

The committee noted that the council has established wholly-owned subsidiary companies, Chorley Leisure Ltd and Chorley BC Property Ltd which may require consolidated accounts to be produced to report the group transactions and balances. An assessment of the impacts of group financial reporting considering requirements of the CIPFA code has been requested.

With regards to risks identified, Grant Thornton do not consider the fraud revenue recognition to be a significant risk to the council and therefore have rebutted this. Other risks identified include the management over-ride of controls, valuation of the pension fund net liability and valuation of land and buildings.

Members were advised that at the time of planning, the previous year's Value for Money work had not been completed, however the External Auditors hoped to report back on this shortly. The 2021/22 Audit would commence in August following the receipt of the draft Statement of Accounts with the hope of reporting back to the committee in November.

Members queried the previous examples where management may have over-ridden controls relating to procurement and the appointment of officers as highlighted in the report. Members were advised that this had not occurred in the last 12 months, but previous examples would be sent to Members.

**Resolved - That the report be noted.**

#### **22.G.5 Management Response to External Audit Planning Enquiries**

Louise Mattinson, Director of Finance presented the report which outlines the management responses provided to the planning enquiries made by the External Auditors as part of the 2021/22 statutory accounts. In line with Auditing Standards, and

to support how Audit Planning process, the External Auditors need to establish the risk of fraud and error.

Some of these queries included key events over past 12 months, unusual significant transactions, and any changes to account policies that would impact the accounts for 2021/22. It was noted that Covid-19 and the continuation of Covid business grants as well as the creation of Chorley Leisure Ltd have had a significant impact.

With relation to question 11 on the accounting estimates, it was not a binary answer as outlined in the report. This response has since been adjusted to confirm that the accounts are prepared in line with the CIPFA guidance and code of practice. The council also takes on board and implements recommendations from previous audits and the accounts are reviewed by senior management to make comparison of the estimates proposed against the actual amounts to measure the accuracy of forecasting. There are no significant changes in how the 2021/22 statutory accounts are planned and will be delivered.

The Committee discussed the contents of Appendices A and B. In response to questions, Members were advised that the revised approach to Minimum Revenue Provision (MRP) which was adopted at budget council in February 2022 would have no impact on the 2021/22 statutory accounts as the changes are only applicable from April 2022 and no retrospective adjustments will be made. As figures outlined in the Council report, the charge under the new policy will be less and the same value will be spread over the life of the asset. The real time value of the pound will also decrease.

Members discussed the land and buildings valuations which were spread over five years to ensure all properties were valued at least once every five years. Market Walk was valued every year as this was an investment building. The planning appeals budget was outlined in preparation for any potential appeals should it be required.

**Resolved - To review and approve the management responses to the auditors enquiries.**

## **22.G.6 Charities and Trust Funds 2021/22**

Louise Mattinson, Director of Finance presented the report which sets out the accounts for the year ended 31 March 2022 for charities and trusts, for which the Council is the sole trustee, for approval.

The Council's Statement of Accounts 2021/22 does not include a disclosure on the Trust Funds held by the council. As an alternative, figures are presented in this report, which therefore provides an opportunity of providing more detail about each charity or trust.

Members noted that there are five charities or trust accounts, four of which have balances of less than or around £5000. No transactions have taken place on any of the accounts during the year. Three of the charities or trusts hold external investments. No sums have been disinvested and reinvested, but the market value of investments varies from year to year. Such changes in market value are reflected in the relevant accounts.

The committee queried the long-term plan for the money in the W B Park's Charity and H T Parke's Baths Fund to be brought into use and whether these funds could be used

across the borough. Members were advised that the accounts could be dissolved as Charities and Trusts via application to the Charities Commission in order to apply the proceeds for the purposes intended, subject to any specificities. The money in the W B Park's Charity and H T Parke's Baths Fund accounts were set up for a specific purpose in the specific areas however the William Cocker fund for recreation grounds in Chorley appeared more flexible on where this money can be spent in Chorley. This would also be subject to approval from the Charities Commission and officers would seek advice from the Commission on this.

**Resolved - That the accounts presented in Appendix A to E be approved.**

### **22.G.7 Internal Audit Annual Report and Opinion 2021-2022**

Dawn Highton, Service Lead for Audit and Risk presented the report which summarises the work undertaken by the Internal Audit Service during 2021/2022 and gives 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 report also includes the results of the Quality Assurance and Improvement Programme.

Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council's governance, risk management and control processes are adequate.

The key performance data for the Internal Audit Service during 2021-2022 demonstrates that the majority of performance indicators have either been achieved or exceeded. There are two indicators which are slightly below target:

- % of planned time used – this is due to the issues experienced over the course of the year with recruitment and retention of officers;
- % of agreed actions implemented by management, which is below target.

The committee discussed the audit opinion and the systems used to provide the audit ratings. In response to queries regarding management actions, Members were reassured that because of criticality of some of the actions identified, short timescales were assigned to these and they have now been implemented.

Following queries in relation to staffing issues, Members were advised that there was currently a shortage of Internal Auditors nationally and so the council would be recruiting a trainee auditor over the summer to be in post by September. There would be a full training package delivered to ensure they become fully qualified as soon as possible.

**Resolved - That the report be noted.**

### **22.G.8 Review of the Effectiveness of Internal Audit 2022**

Dawn Highton, Service Lead for Audit and Risk presented the report which relates to the results of the self-assessment carried out by Internal Audit against the requirement of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

The self-assessment demonstrates that the Service conforms with the Standards. There are 134 aspects of conformance, of which full conformance has been achieved

for 128. There are 5 areas which are not applicable to the Internal Audit Service with only 1 partial conformance related to fraud which is included in the draft Annual Governance Statement.

Members were reassured that the Council was not experiencing fraud, but the risk of fraud was considered in each audit review. CIPFA guidance contains a checklist which has also been completed to further improve fraud arrangements. The committee noted the Quality Assurance and Improvement programme.

It was noted that under question 1112 Chief Audit Executive Roles Beyond Internal Auditing (page 117), 'non-conforming' should also be crossed out to indicate conformance.

**Resolved - That the report be noted.**

### **22.G.9 Draft Annual Governance Statement**

Dave Whelan, Service Lead for Legal presented the report of the Director for Governance which presents the Annual Governance Statement for 2021/22.

The Annual Governance Statement has been prepared in accordance with CIPFA/SOLACE Guidance and has drawn from evidence sources identified in the statement to reach its conclusions. The Council is required to ensure that it has in place a sound system of governance, that is regularly reviews the effectiveness of that system and that it continually seeks to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).

The council has an up to date code of governance in place and the existing governance framework is reviewed against the principles in that code. The AGS provides reassurances that there is sound governance in place.

Of the identified governance issues from the previous year, one action had been substantially completed, four actions completed, one ongoing and two carried forward. The council has also identified improvements to strengthen the corporate governance arrangements for the coming year which focus on processes/systems, staff development and corporate themes.

The committee noted the draft Annual Governance Statement and discussed any issues identified.

**Resolved - 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.**

### **22.G.10 RIPA Application Update**

Dave Whelan, Service Lead for Legal reported that no RIPA applications had been made.

**22.G.11 Work Programme**

The Committee considered the work programme for 2022/23 which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

Members were advised that this would be updated for the next meeting.

**Resolved – That the work programme be noted.**

Chair

Date



Report of	Meeting	Date
Director of Finance and Section 151 Officer	Governance Committee	3 <sup>rd</sup> August 2022

## Treasury Management Annual Report 2021/22 And Quarter One Monitoring 2022/23

Is this report confidential?	No
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Is this decision key?	No
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### Purpose of report

- To report on Treasury Management performance and compliance with Prudential Indicators for the financial year ended 31 March 2022.
- To present monitoring figures for the quarter ended 30 June 2022, including updated interest rate forecasts from Link Asset Services.

### Recommendation to Governance Committee

- That the report be noted.

### 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:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	An ambitious council that does more to meet the needs of residents and the local area

### Background to the report

7. This report advises on compliance with Prudential and Treasury Indicators in 2021/22. The return on investments for the year was **0.09%**, which was equal to the previous year, but slightly below the benchmark of **0.10%**. Details of borrowing and investments as at 31 March 2022 are presented in the report.
8. Borrowings and investments as at 30 June 2022 are also presented, and Link Asset Services have provided updated interest rate forecasts for 2022/23 and subsequent financial years.
9. The Treasury Strategy for 2021/22 to 2023/24 was approved by Council on 23 February 2021. The strategy included prudential and treasury indicators, the treasury management strategy, annual investment strategy (including the list of approved investment counterparties), and the annual Minimum Revenue Provision (MRP) Policy.
10. A mid-year review of Treasury Management activity was presented to Governance Committee on 24 November 2021. This reported that during the first half of 2021/22, average daily balances were lower than 2020/21, however still higher than previous years due to the flow of Covid Support Grants. The report also outlined continued low levels of interest available for investments.
11. On 22 February 2022 Council approved the Treasury Strategy for 2022/23 to 2024/25, which included revised prudential and treasury indicators for 2021/22. Where relevant, comparisons with 2021/22 indicators in this outturn report are to those approved most recently.
12. A glossary of technical terms used in this report is presented as Appendix J.

### Capital Expenditure and Financing 2021/22

13. 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 sufficient financing is not available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
14. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for 2021/22.

<b>Table 1 – Capital Expenditure</b>	<b>2021/22 Estimate £'000</b>	<b>2021/22 Revised £'000</b>	<b>2021/22 Actual £'000</b>	<b>2021/22 Variance £'000</b>
A strong local economy	15,223	11,579	7,581	(3,998)
An ambitious council that does more to meet the needs of residents and the local area	2,497	2,805	2,544	(261)
Clean, safe and healthy homes and communities	19,846	12,107	11,768	(339)
Involving residents in improving their local area and equality of access for all	550	2,112	1,973	(139)

<b>Capital Expenditure Total</b>	<b>38,116</b>	<b>28,603</b>	<b>23,866</b>	<b>(4,737)</b>
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15. In addition to the usual range of factors which can affect the timing of capital projects, the progression of the 2021/22 programme was affected by the impacts of the Covid 19 pandemic. This is reflected in the reduction in the revised budget and actual levels of expenditure shown above.
16. Additional analysis of the schemes included in the 2021/22 Capital Programme was presented to Executive Cabinet on 16 June 2022 in the report 'Revenue and Capital Budget Monitoring 2021/22Outturn'.

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

<b>Table 2 – Capital Financing 2021/22</b>	<b>2021/22 Estimate £'000</b>	<b>2021/22 Revised £'000</b>	<b>2021/22 Actual £'000</b>	<b>2021/22 Variance £'000</b>
Capital Expenditure (from Table 1)	38,116	28,603	23,866	(4,737)
Capital Receipts	(5,166)	(300)	(262)	38
Grants & Contributions	(12,766)	(11,149)	(7,209)	3,940
Revenue & Reserves	(3,949)	(2,183)	(1,695)	488
<b>NET FINANCING NEEDED FOR YEAR</b>	<b>16,235</b>	<b>14,971</b>	<b>14,700</b>	<b>(271)</b>

### **Capital Financing Requirement 2021/22**

17. 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 2021/22 plus prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
18. Part of the Council's treasury activity is to address the funding requirement for this 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.
19. 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, then the interest payable would have been at a higher rate. Use of the Council's own cash helps to achieve savings in net interest.
20. 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.

21. 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).
22. The 2021/22 MRP Policy (as required by MHCLG Guidance) was approved by Council as part of the Treasury Strategy 2021/22 to 2023/24 on 23 February 2021.
23. The Council’s CFR for the year is shown in Table 3 below and represents a key prudential indicator. It includes financing by means of a finance lease for leisure related capital investment, which increases the Council’s borrowing need.

<b>Table 3 – Capital Financing Requirement</b>	<b>2021/22 Estimate £’000</b>	<b>2021/22 Revised £’000</b>	<b>2021/22 Actual £’000</b>	<b>2021/22 Variance £’000</b>
Opening CFR	95,208	89,271	89,271	0
Net financing need for the year (Table 2)	16,235	14,971	14,700	(271)
Less MRP / VRP	(2,099)	(1,214)	(5,622)	(4,408)
<b>Closing CFR</b>	<b>109,344</b>	<b>103,028</b>	<b>98,349</b>	<b>(4,679)</b>

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

**The CFR and Gross Debt**

24. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
25. 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 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.
26. An additional loan (PWLB) of £10 million (50 years at 2.02%) was taken out in March 2022 to fund the Capital Programme.

<b>Table 4 – Portfolio Position</b>	<b>2021/22 Estimate £’000</b>	<b>2021/22 Revised £’000</b>	<b>2021/22 Actual £’000</b>	<b>2021/22 Variance £’000</b>
Debt at 1 April	69,777	62,160	62,160	0
Other Long Term Liabilities (OLTL)	15	0	0	0
Total Gross Debt 1 April	69,792	62,160	62,160	0
Change in Debt	16,266	16,266	8,105	(8,161)
Change in OLTL	0	0	0	0
Change in Gross Debt	16,266	16,266	8,105	(8,161)

Gross Debt 31 March	86,058	78,426	70,265	(8,161)
Capital Financing Requirement (Table 3)	109,344	103,028	102,574	(454)
<b>Under / (Over) Borrowing</b>	<b>23,286</b>	<b>24,602</b>	<b>32,309</b>	<b>7,707</b>

27. An analysis of external borrowing as at 31 March 2022 is presented in Appendix A.
28. **The authorised limit.** This is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. 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:
- (i) is due to the authority which has not yet been received by it, and
  - (ii) was not a delayed receipt of a payment which was taken into account when the limit was first arrived at.

The limit set for 2021/22 by Council on 23 February 2021 was £97,215m and actual gross was £70.265m. The Council has therefore maintained gross borrowing within its authorised limit throughout the year.

29. **The operational boundary.** This is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The operational boundary set for 2021/22 was £90,415m and actual gross debt at 31 March 2021 was £70.265m. The Council remained within its operational boundary throughout the year.
30. **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).

<b>Table 5 – Ratio of Financing Costs to Net Revenue Stream</b>	<b>2021/22 Estimate %</b>	<b>2021/22 Revised %</b>	<b>2021/22 Actual %</b>	<b>2021/22 Variance %</b>
Ratio	16.66	17.12	16.30	-0.82

The actual ratio was lower than originally estimated in 2021/22, principally because borrowing was lower than expected and the revenue stream being increased by additional government grants relating to the Pandemic.

**Treasury Position As At 31 March 2022****Treasury management debt and investment position**

31. 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.

<b>Table 6 – Year End Resources 2021/22</b>	<b>2021/22 Estimate £'000</b>	<b>2021/22 Revised £'000</b>	<b>2021/22 Actual £'000</b>	<b>2021/22 Variance £'000</b>
Core Funds / Working Balances	(26,431)	(26,431)	(41,803)	(15,372)
Under / (over) borrowing (Table 4)	23,286	24,602	32,309	7,707
Investments	(3,145)	(1,829)	(9,494)	(7,665)

32. The working balances held at 31 March 2022 were higher than would normally be the case because of the continued impacts of measures taken in response to the pandemic. A detailed analysis of Short Term Investments and Cash and Cash Equivalents is presented as Appendix B. The maximum balance invested with each counterparty complied with the limits approved by the Council. Appendix C presents the approved counterparty limits for 2021/22.
33. The Council approved that a maximum of £4m should be invested with UK local authorities for more than 365 days and up to two years, with a maximum of £2m per individual authority. No sums were invested for more than 365 days.

<b>Table 7 – Maximum Principal Sums Invested &gt;365 Days</b>	<b>2021/22 Estimate £'000</b>	<b>2021/22 Revised £'000</b>	<b>2021/22 Actual £'000</b>	<b>2021/22 Variance £'000</b>
UK Government	0	0	0	0
UK Local Authorities **	4,000	4,000	0	(4,000)
UK Banks & Building Societies	0	0	0	0
Non-UK Banks	0	0	0	0
<b>Total</b>	<b>4,000</b>	<b>4,000</b>	<b>0</b>	<b>(4,000)</b>
** Maximum of £2 million per local authority				

**Investment Performance 2021/22****Review of Performance**

34. 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 0.09% being achieved.

35. 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 that it has used its own cash balances to finance capital expenditure rather than taking additional external loans.
36. **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. During 2021/22 cash was not invested in term deposits. To manage the Council's cash flow, balances were held only in highly liquid accounts, specifically in call accounts and MMFs, with the need for money to be available at short notice having been heightened by the unusual pattern of cash flows resulting from the impacts of the pandemic.

Investment performance in 2021/22 is presented in Table 8.

<b>Table 8 – Investment Performance 2021/22</b>	<b>Average Daily Investment £'000</b>	<b>Interest 2021/22 £</b>	<b>Average Rate %</b>
Fixed Term Deposits	0	0	0
Notice Accounts	0	0	0
Call Accounts	6,613	6,557	0.10
Money Market Funds	2,453	2,247	0.09
Debt Management Office DDMADF	250	26	0.01
<b>Total</b>	<b>9,316</b>	<b>8,830</b>	<b>0.09</b>

37. The average return of 0.09% in 2021/22 equals that achieved in 2020/21 and reflects the exceptionally low level of returns available throughout the financial year.
38. 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. Given the challenges of sourcing investment opportunities, actual performance is marginally below this target.

### **Monitoring June Quarter 2022/23**

#### **Borrowing and Investments**

39. External borrowing as at 30 June 2022 is presented in Appendix E. No additional long term borrowing has been entered into, but it is expected that further loans may be taken out during the year. This will be to finance the capital programme and the borrowing has been budgeted for.
40. Investments as at 30 June 2022 are presented in Appendix F. Cash balances available to invest fluctuate throughout the year, depending on the timing of receipts and payments. The balance at the end of the first quarter was slightly lower than at the beginning of the year

(£9.0m compared to £9.5m) however yield is improving (average 0.58%). It is expected the balance will reduce further by 31 March 2023 as pandemic cash flows come to an end.

41. Appendix G presents the counterparty limits for 2022/23. It is unlikely that cash will be invested in anything other than liquid accounts with instant access.

#### **Prudential and Treasury Indicators and Investment Counterparty Limits**

42. These remain unchanged from those approved by Council on 22 February 2022 and there are no current proposals for any changes.

#### **Advice of Link Asset Services**

##### **Treasury Advisors' review of 2021/22 and forward looking commentaries**

43. Link Asset Services' review of the Economy and Interest Rates in 2021/22 is presented as Appendix D.
44. A detailed economic commentary on developments during the quarter ended 30 June 2022 is presented as Appendix H.
45. Appendix I 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

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

**Appendices**

Appendix A: External Borrowing as at 31 March 2022

Appendix B: Investments as at 31 March 2022

Appendix C: Investment Counterparties 2021/22

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

Appendix E: External Borrowing as at 30 June 2022

Appendix F: Investments as at 30 June 2022

Appendix G: Investment Counterparties 2022/23

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

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

Appendix J: Glossary of Terms

Louise Mattinson  
Director of Finance

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## APPENDIX A

**External Borrowing 31 March 2022**

Type of loan	Loan number	Start date	Maturity date	Interest Rate %	Total £000
PWLB loan - Annuity	502694	29/11/2013	26/11/2063	4.34	1,580
PWLB loan - Annuity	502695	29/11/2013	26/11/2043	4.18	1,636
PWLB loan - Annuity	502696	29/11/2013	26/11/2038	4.02	1,517
PWLB loan - Annuity	502697	29/11/2013	26/05/2033	3.69	1,310
PWLB loan - Annuity	502698	29/11/2013	26/05/2028	3.18	982
PWLB loan - Annuity	502699	29/11/2013	26/05/2023	2.42	337
PWLB loan - Maturity	506764	21/12/2017	21/12/2067	2.31	2,500
PWLB loan - EIP	506766	21/12/2017	21/12/2031	1.76	1,786
PWLB loan - EIP	508381	17/01/2019	17/01/2054	2.51	2,743
PWLB loan - EIP	508382	17/01/2019	17/01/2059	2.58	2,775
PWLB loan - EIP	509178	24/04/2019	24/04/2044	2.23	2,250
PWLB loan - Annuity	509641	09/08/2019	09/08/2059	1.87	30,611
PWLB loan - Annuity	509689	16/08/2019	16/08/2059	1.86	1,914
PWLB loan - EIP	509691	16/08/2019	16/08/2039	1.32	2,625
PWLB loan - EIP	165470	28/02/2020	28/02/2060	2.71	5,700
PWLB loan - Maturity	New	01/03/2022	01/03/2072	2.02	10,000
Public Works Loan Board total					70,265
Local Authorities total					0
<b>External Borrowing total</b>					<b>70,265</b>

List of Investments as at 31/03/22

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
<b>Fixed Term Deposit sub total</b>		<b>0</b>			
Santander	Call	5,000	0.23%	On Call	n/a
Barclays BPA Deposit Account	Call	1,494	0.01%	On Call	n/a
<b>Call Accounts sub total</b>		<b>6,494</b>			
Federated	MMF	0	0.51% (1)	On Call	n/a
Aberdeen Standard	MMF	0	0.51% (1)	On Call	n/a
Blackrock	MMF	3,000	0.53% (1)	On Call	n/a
<b>Money Market Funds sub total</b>		<b>3,000</b>			
<b>Total</b>		<b>9,494</b>			

## Notes

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

**Investment Counterparties 2021/22**

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

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

## The Economy and Interest Rates 2021/22

**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 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> 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 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.

**External Borrowing 30 June 2022**

Type of loan	Loan number	Start date	Maturity date	Interest Rate %	Total £000
PWLB loan - Annuity	502694	29/11/2013	26/11/2063	4.34	1,573
PWLB loan - Annuity	502695	29/11/2013	26/11/2043	4.18	1,613
PWLB loan - Annuity	502696	29/11/2013	26/11/2038	4.02	1,486
PWLB loan - Annuity	502697	29/11/2013	26/05/2033	3.69	1,263
PWLB loan - Annuity	502698	29/11/2013	26/05/2028	3.18	914
PWLB loan - Annuity	502699	29/11/2013	26/05/2023	2.42	226
PWLB loan - Maturity	506764	21/12/2017	21/12/2067	2.31	2,500
PWLB loan - EIP	506766	21/12/2017	21/12/2031	1.76	1,696
PWLB loan - EIP	508381	17/01/2019	17/01/2054	2.51	2,743
PWLB loan - EIP	508382	17/01/2019	17/01/2059	2.58	2,775
PWLB loan - EIP	509178	24/04/2019	24/04/2044	2.23	2,200
PWLB loan - Annuity	509641	09/08/2019	09/08/2059	1.87	30,611
PWLB loan - Annuity	509689	16/08/2019	16/08/2059	1.86	1,914
PWLB loan - EIP	509691	16/08/2019	16/08/2039	1.32	2,625
PWLB loan - EIP	165470	28/02/2020	28/02/2060	2.71	5,700
PWLB loan - Maturity	New	01/03/2022	01/03/2072	2.02	10,000
Public Works Loan Board total					<hr/> 69,838
Local Authorities total					0
<b>External Borrowing total</b>					<hr/> <b>69,838</b> <hr/>

**List of Investments as at 30/06/22**

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
<b>Fixed Term Deposit sub total</b>		<b>0</b>	<b>Listed in Order of Maturity</b>		
Santander	Call	0	0.41%	On Call	n/a
Barclays BPA Deposit Account	Call	2,523	0.20%	On Call	n/a
<b>Call Accounts sub total</b>		<b>2,523</b>			
Federated	MMF	2,500	1.125% (1)	On Call	n/a
Aberdeen Standard	MMF	0	1.077% (1)	On Call	n/a
Blackrock	MMF	4,000	1.069% (1)	On Call	n/a
<b>Money Market Funds sub total</b>		<b>6,500</b>			
<b>Total</b>		<b>9,023</b>			

Notes

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

**Investment Counterparties 2022/23**

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

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

## **Economics Update 2022/23**

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%.**

Updated Interest Rate Forecasts 2022/23

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

## 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.

**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.

**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 (Finance)	Governance Committee	Wednesday, 3 August 2022

## Draft Core Financial Statements 2021/22

Is this report confidential?	No
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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:

Involving residents in improving their local area and equality of access for all	<b>A strong local economy</b>
Clean, safe and healthy communities	<b>An ambitious council that does more to meet the needs of residents and the local area</b>

**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. At the time of writing this report, the Statement is 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.

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**

20. 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 Executive Cabinet on 16 June 2022.

#### **Comments of the Monitoring Officer**

21. 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**

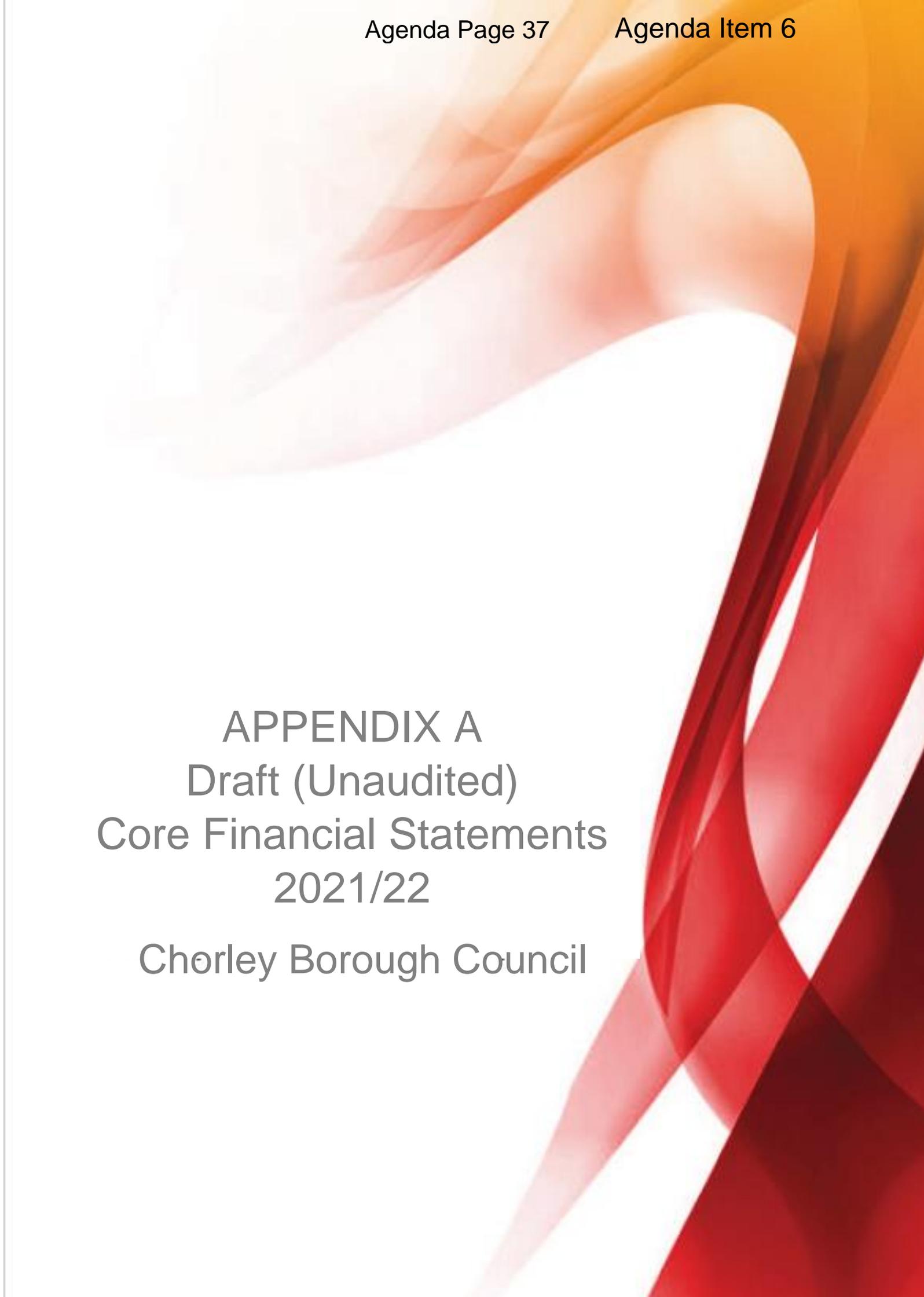
- Accounts and Audit (England) Regulations 2015 (as amended)
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

**Appendices**

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

Report Author:	Email:	Telephone:	Date:
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APPENDIX A  
Draft (Unaudited)  
Core Financial Statements  
2021/22  
Chorley Borough Council

## 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 Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/21				2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
3,826	(1,382)	2,444	Commercial and Property	4,322	(1,693)	2,629
3,340	(1,355)	1,985	Communities	3,239	(1,536)	1,703
21,200	(19,997)	1,203	Customer & Digital	20,847	(19,974)	873
1,740	(1,036)	704	Planning and Development	2,264	(1,296)	968
5,649	(1,335)	4,314	Policy & Governance	6,021	(1,752)	4,269
388	(253)	135	Major Projects	936	(413)	523
11,379	(4,824)	6,555	Corporate	13,521	(9,228)	4,293
3,331	(5,247)	(1,916)	Covid	9,019	(10,219)	(1,200)
<b>50,853</b>	<b>(35,429)</b>	<b>15,424</b>	<b>Cost of Services</b>	<b>60,169</b>	<b>(46,111)</b>	<b>14,058</b>
600	0	600	Other operating expenditure (note 12)			606
8,868	(4,263)	4,605	Financing and investment income and expenditure (note 13)			922
6,845	(28,318)	(21,473)	Taxation and non-specific grant income (note 14)			(19,122)
		<b>(844)</b>	<b>(Surplus)/deficit on provision of services</b>			<b>(3,536)</b>
		(623)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(5,846)
		11,999	Re-measurement of the net defined benefit liability (note 37d)			(14,575)
		<b>11,376</b>				<b>(20,421)</b>
		<b>10,532</b>				<b>(23,957)</b>

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2020</b>	<b>(10,762)</b>	<b>(973)</b>	<b>(13,223)</b>	<b>(24,958)</b>	<b>(171)</b>	<b>(25,129)</b>
<b><u>Movements in 2020/21</u></b>						
Total Comprehensive Income & Expenditure	(844)	0	0	(844)	11,376	10,532
Adjustments between accounting basis & funding basis (note 10)	(5,382)	84	(729)	(6,027)	6,027	0
<b>(Increase) / Decrease in year</b>	<b>(6,226)</b>	<b>84</b>	<b>(729)</b>	<b>(6,871)</b>	<b>17,403</b>	<b>10,532</b>
<b>Balance at 31 March 2021</b>	<b>(16,988)</b>	<b>(889)</b>	<b>(13,952)</b>	<b>(31,829)</b>	<b>17,232</b>	<b>(14,597)</b>
<b><u>Movements in 2021/22</u></b>						
Total Comprehensive Income & Expenditure	(3,536)	0	0	(3,536)	(20,421)	(23,957)
Adjustments between accounting basis & funding basis (note 10)	4,579	165	3,589	8,333	(8,333)	0
<b>(Increase) / Decrease in year</b>	<b>1,043</b>	<b>165</b>	<b>3,589</b>	<b>4,797</b>	<b>(28,754)</b>	<b>(23,957)</b>
<b>Balance at 31 March 2022</b>	<b>(15,945)</b>	<b>(724)</b>	<b>(10,363)</b>	<b>(27,032)</b>	<b>(11,522)</b>	<b>(38,554)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement (MiRS).

31 March 2021 £'000		Notes	31 March 2022 £'000
96,589	Property, Plant & Equipment	15	120,598
2,530	Heritage Assets	16	2,531
32,783	Investment Property	17	32,782
36	Intangible Assets	18	24
5,323	Long-Term Debtors	19	4,939
<b>137,261</b>	<b>Long-Term Assets</b>		<b>160,874</b>
13,157	Short-Term Debtors	20	8,864
9,276	Cash and Cash Equivalents	21	9,460
<b>22,433</b>	<b>Current Assets</b>		<b>18,324</b>
(2,182)	Short-Term Borrowing	19	(2,215)
(23,768)	Short-Term Creditors	22	(22,345)
(1,222)	Provisions	23	(1,317)
<b>(27,172)</b>	<b>Current Liabilities</b>		<b>(25,877)</b>
(1,438)	Long-Term Creditors	19	(1,481)
(60,264)	Long-Term Borrowing	19	(68,341)
(55,561)	Other Long-Term Liabilities – pensions	37	(43,978)
(16)	Other Long-Term Liabilities – other		(16)
(646)	Grant Receipts in Advance - Capital	33	(951)
<b>(117,925)</b>	<b>Long Term Liabilities</b>		<b>(114,767)</b>
<b>14,597</b>	<b>Net Assets</b>		<b>38,554</b>
31,829	Usable Reserves	MiRS, 24	27,032
(17,232)	Unusable Reserves	25	11,522
<b>14,597</b>	<b>Total Reserves</b>		<b>38,554</b>

The unaudited accounts were issued on xx July 2022.

Louise Mattinson  
 Director of Finance  
 Date: xx July 2022

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2020/21 £'000		2021/22 £'000
844	Net surplus or (deficit) on the provision of services	3,536
23,032	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26a)	7,481
(6,709)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 26b)	(4,590)
<b>17,167</b>	<b>Net cash flows from Operating Activities (Note 26)</b>	<b>6,427</b>
(2,264)	Investing Activities (Note 27)	(19,181)
(14,560)	Financing Activities (Note 28)	12,938
<b>343</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>184</b>
8,933	Cash and cash equivalents at the beginning of the reporting period	9,276
<b>9,276</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 21)</b>	<b>9,460</b>

Cash and Cash Equivalents at the beginning and end of the 2021/22 reporting period have been defined to be net of the bank overdraft.

# Notes to the Main Financial Statements

## 1 EXPENDITURE AND FUNDING ANALYSIS – NOTE TO MAIN FINANCIAL STATEMENT

The Expenditure and Funding Analysis, which is a note to the Main 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.

2020/21			Directorate	2021/22		
Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,436	1,008	2,444	Commercial and Property	3,226	(597)	2,629
1,600	385	1,985	Communities	1,500	203	1,703
1,009	194	1,203	Customer & Digital	690	183	873
638	66	704	Planning and Development	822	146	968
3,797	517	4,314	Policy & Governance	4,065	204	4,269
123	12	135	Major Projects	491	32	523
3,478	3,077	6,555	Corporate	(312)	4,605	4,293
(1,924)	8	(1,916)	Covid	(1,203)	3	(1,200)
<b>10,157</b>	<b>5,267</b>	<b>15,424</b>	<b>Net Cost of Service</b>	<b>9,279</b>	<b>4,779</b>	<b>14,058</b>
(16,383)	115	(16,268)	Other Income and Expenditure	(8,236)	(9,358)	(17,594)
<b>(6,226)</b>	<b>5,382</b>	<b>(844)</b>	<b>(Surplus)/Deficit in year</b>	<b>1,043</b>	<b>(4,579)</b>	<b>(3,536)</b>
<b>(10,762)</b>			<b>Opening General Fund Balance at 1 April</b>	<b>(16,988)</b>		
(6,226)			Add (Surplus)/Less Deficit on General Fund Balance in Year	1,043		
<b>(16,988)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(15,945)</b>		

**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**.

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

<b>2021/22</b>						
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes (Note A)</b>	<b>Net change for the Pensions Adjustments (Note B)</b>	<b>Other Differences (Note C)</b>	<b>Total Statutory Adjustments</b>	<b>Other Adjustments (Note D)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Commercial and Property	900	171	(1)	1,070	(1,667)	(597)
Communities	11	192	0	203	0	203
Customer & Digital	0	180	(7)	173	10	183
Planning and Development	0	155	(9)	146	0	146
Policy & Governance	0	127	(12)	115	89	204
Major Projects	0	32	0	32	0	32
Corporate	4,022	553	(9)	4,566	39	4,605
Covid	0	0	3	3	0	3
<b>Cost of Services</b>	<b>4,933</b>	<b>1,410</b>	<b>(35)</b>	<b>6,308</b>	<b>(1,529)</b>	<b>4,779</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(10,253)	1,149	(1,783)	(10,887)	1,529	(9,358)
<b>deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(5,320)</b>	<b>2,559</b>	<b>(1,818)</b>	<b>(4,579)</b>	<b>0</b>	<b>(4,579)</b>

2020/21	Adjustments for Capital Purposes (Note A)	Net change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Statutory Adjustments	Other Adjustments (Note D)	Total Adjustments
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	£'000	£'000	£'000	£'000	£'000	£'000
Commercial and Property	946	60	2	1,008	0	1,008
Communities	307	66	12	385	0	385
Customer & Digital	0	71	13	84	110	194
Planning and Development	0	60	6	66	0	66
Policy & Governance	303	116	4	423	94	517
Major Projects	0	11	1	12	0	12
Corporate	2,307	326	6	2,639	438	3,077
Covid	0	6	2	8	0	8
<b>Cost of Services</b>	<b>3,863</b>	<b>716</b>	<b>46</b>	<b>4,625</b>	<b>642</b>	<b>5,267</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,182)	967	4,972	757	(642)	115
<b>deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,319)</b>	<b>1,683</b>	<b>5,018</b>	<b>5,382</b>	<b>0</b>	<b>5,382</b>

#### Note A Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service lines, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Finance and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP).
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

#### Note B Net Change for Pension Adjustments

The net change for the removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows:

- For services this represents the removal of the employer pension contributions made by the authority as determined by statute and their replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES).

**Note C Other Statutory Adjustments**

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are:

- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

**Note D Other Non-statutory Adjustments**

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement. These are:

- For financing and investment income and expenditure, adjustments in respect of charges for the provision for non-collection of outstanding debts.

This adjustment category is additional to those shown in the Statement of Accounts for 2018/19. Please see footnote to Comprehensive Income and Expenditure Statement for more detail.

## 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 authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2021/22	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement				
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25d)	(2,560)	0	0	2,560
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25e)	1,783	0	0	(1,783)
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25f)	35	0	0	(35)
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)	64	0	0	(64)
<b>Total Adjustments to Revenue Resources</b>	<b>(678)</b>	<b>0</b>	<b>0</b>	<b>678</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS)	97	(97)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 26b)	1,435	0	0	(1,435)
Additional provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 26b)	4,188	0	0	(4,188)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 26b)	820	0	0	(820)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,540</b>	<b>(97)</b>	<b>0</b>	<b>(6,443)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS)	0	262	0	(262)
Application of capital grants to finance capital expenditure (MiRS)	(1,283)	0	3,589	(2,306)
<b>Total Capital Resources</b>	<b>(1,283)</b>	<b>262</b>	<b>3,589</b>	<b>(2,568)</b>
<b>Total Adjustments</b>	<b>4,579</b>	<b>165</b>	<b>3,589</b>	<b>(8,333)</b>

2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement				
Pensions costs (transferred to (or from) the Pensions Reserve) (note 25d)	(1,684)	0	0	1,684
Financial instruments (transferred to the Financial Instruments Adjustments Account) (note 25c)	0	0	0	0
Council tax and NDR (transfers to or from Collection Fund Adjustment Account) (note 25e)	(4,972)	0	0	4,972
Holiday pay (transferred to the Accumulated Absences Reserve) (note 25f)	(46)	0	0	46
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)	(2,200)	0	0	2,200
<b>Total Adjustments to Revenue Resources</b>	<b>(8,902)</b>	<b>0</b>	<b>0</b>	<b>8,902</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve (MiRS)	120	(120)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) (note 26b)	1,713	0	0	(1,713)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) (note 26b)	958	0	0	(958)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,791</b>	<b>(120)</b>	<b>0</b>	<b>(2,671)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure (MiRS)	0	204	0	(204)
Application of capital grants to finance capital expenditure (MiRS)	729	0	(729)	0
<b>Total Capital Resources</b>	<b>729</b>	<b>204</b>	<b>(729)</b>	<b>(204)</b>
<b>Total Adjustments</b>	<b>(5,382)</b>	<b>84</b>	<b>(729)</b>	<b>6,027</b>

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.

### 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.

## 11 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

Type of Earmarked Reserve	Balance 1 April 2020 £'000	Transfers		Balance 31 March 2021 £'000	Transfers		Balance 31 March 2022 £'000
		Out £'000	(In) £'000		Out £'000	(In) £'000	
Rephasing of planned expenditure	(898)	183	(162)	(877)	243	(118)	(752)
Rephasing of New Investment Projects	(909)	212	0	(697)	95	(460)	(1,062)
Grants reserved for specific expenditure	(298)	106	0	(192)	8	0	(184)
Financing of capital expenditure	(1,911)	946	(870)	(1,835)	910	(1,362)	(2,287)
Planning purposes including appeals	(346)	110	(184)	(420)	140	(150)	(430)
Restructuring of services	(250)	0	0	(250)	0	0	(250)
Retail Investment	(46)	29	(112)	(129)	31	0	(98)
Apprenticeships and Graduates	(62)	41	0	(21)	17	(200)	(204)
Resource equalisation	(1,622)	0	(711)	(2,333)	0	(69)	(2,402)
Maintenance of Council buildings	(400)	73	0	(327)	222	0	(105)
Maintenance of Grounds	(34)	0	(10)	(44)	0	0	(44)
Elections	(31)	0	(70)	(101)	0	0	(101)
Covid-19 funding	0	0	(901)	(901)	601	(207)	(507)
Business Rates grants exceptional payments	0	0	(4,923)	(4,923)	4,383	(2,948)	(3,488)
Other	45	106	(32)	119	57	(67)	109
<b>Total Earmarked Reserves</b>	<b>(6,762)</b>	<b>1,806</b>	<b>(7,975)</b>	<b>(12,931)</b>	<b>6,707</b>	<b>(5,581)</b>	<b>(11,805)</b>
General Reserve	(4,000)	0	(57)	(4,057)	0	(83)	(4,140)
<b>Total General Fund Reserves</b>	<b>(10,762)</b>	<b>1,806</b>	<b>(8,032)</b>	<b>(16,988)</b>	<b>6,707</b>	<b>(5,664)</b>	<b>(15,945)</b>

**26 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Interest received	36	33
Interest paid	(1,431)	(1,401)
	<b>(1,395)</b>	<b>(1,368)</b>

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

<b>Note 26a: Non-cash movements</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Depreciation	2,227	2,082
Impairment and downward valuations	1,616	2,388
Amortisation	14	12
Increase/(decrease) in creditors	22,840	(4,359)
(Increase)/decrease in debtors	(7,123)	4,271
Movement in pension liability	801	2,992
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	20	0
Other non-cash items charged to the net surplus or deficit on the provision of services	2,637	95
	<b>23,032</b>	<b>7,481</b>

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

<b>Note 26b: Investing and financing activities</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(119)	(97)
Any other items for which the cash effects are investing or financing cash flows	(6,590)	(4,493)
	<b>(6,709)</b>	<b>(4,590)</b>

**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 and intangible assets.	(8,445)	(24,155)
Other payments for investing activities	(668)	384
Proceeds from the sale of assets.	119	97
Other receipts from investing activities	6,730	4,493
<b>Net cash flows from investing activities</b>	<b>(2,264)</b>	<b>(19,181)</b>

**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	0	10,000
Other Receipts from Financing Activities	(11)	5
Repayment of Short and Long Term Borrowing	(6,366)	(1,895)
Other receipts from financing activities	(8,183)	4,828
<b>Net cash flows from financing activities</b>	<b>(14,560)</b>	<b>12,938</b>

**Reconciliation of Liabilities arising from Financing Activities**

	1 April 2020 £'000	Financing cash flows		Other non- cash changes £'000	31 March 2021 £'000
		Acquisition £'000	Repayment £'000		
Long-term borrowing	60,264	10,000		(1,923)	68,341
Short-term borrowing	2,182	0	(1,895)	1,928	2,215
Total borrowing	62,446	10,000	(1,895)	5	70,556
Creditors - Council Tax & NNDR due to Preceptors & Central Government	(5,243)	4,828			(415)
<b>Total</b>	<b>57,203</b>	<b>14,828</b>	<b>(1,895)</b>	<b>5</b>	<b>70,141</b>

Report of	Meeting	Date
Director (Finance)	Governance Committee	Wednesday, 3 August 2022

## CIPFA Resilience Indicators

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

<b>Involving residents in improving their local area and equality of access for all</b>	<b>A strong local economy</b>
<b>Clean, safe and healthy communities</b>	<b>An ambitious council that does more to meet the needs of residents and the local area</b>

### 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.

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  <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
<b>ADDITIONAL INDICATOR</b>	
Auditors VfM Assessment	This was published for 2019/20; however is not included in the 2020/21 index

**Chorley 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, Chorley 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;

<b><i>Amber Valley</i></b>	<b><i>Braintree</i></b>	<b><i>Broxtowe</i></b>
<b><i>Chorley</i></b>	<b><i>East Northamptonshire</i></b>	<b><i>Erewash</i></b>
<b><i>Gedling</i></b>	<b><i>High Peak</i></b>	<b><i>+Hinckley &amp; Bosworth</i></b>
<b><i>Kettering</i></b>	<b><i>Lichfield</i></b>	<b><i>Newark &amp; Sherwood</i></b>
<b><i>Rossendale</i></b>	<b><i>South Derbyshire</i></b>	<b><i>South Kesteven</i></b>
<b><i>South Ribble</i></b>	<b><i>+Stafford</i></b>	<b><i>Stroud</i></b>

- 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 that despite recent ambitious investment, Chorley is by no means an “outlier” in terms of debt / interest payable. Further, the indicators highlight that the Council generates healthy levels of fees and charges as a result of this investment.

**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 Chorley 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**

- 6. There are no legal implications arising from the report.

**Background documents**

There are no background papers to this report.

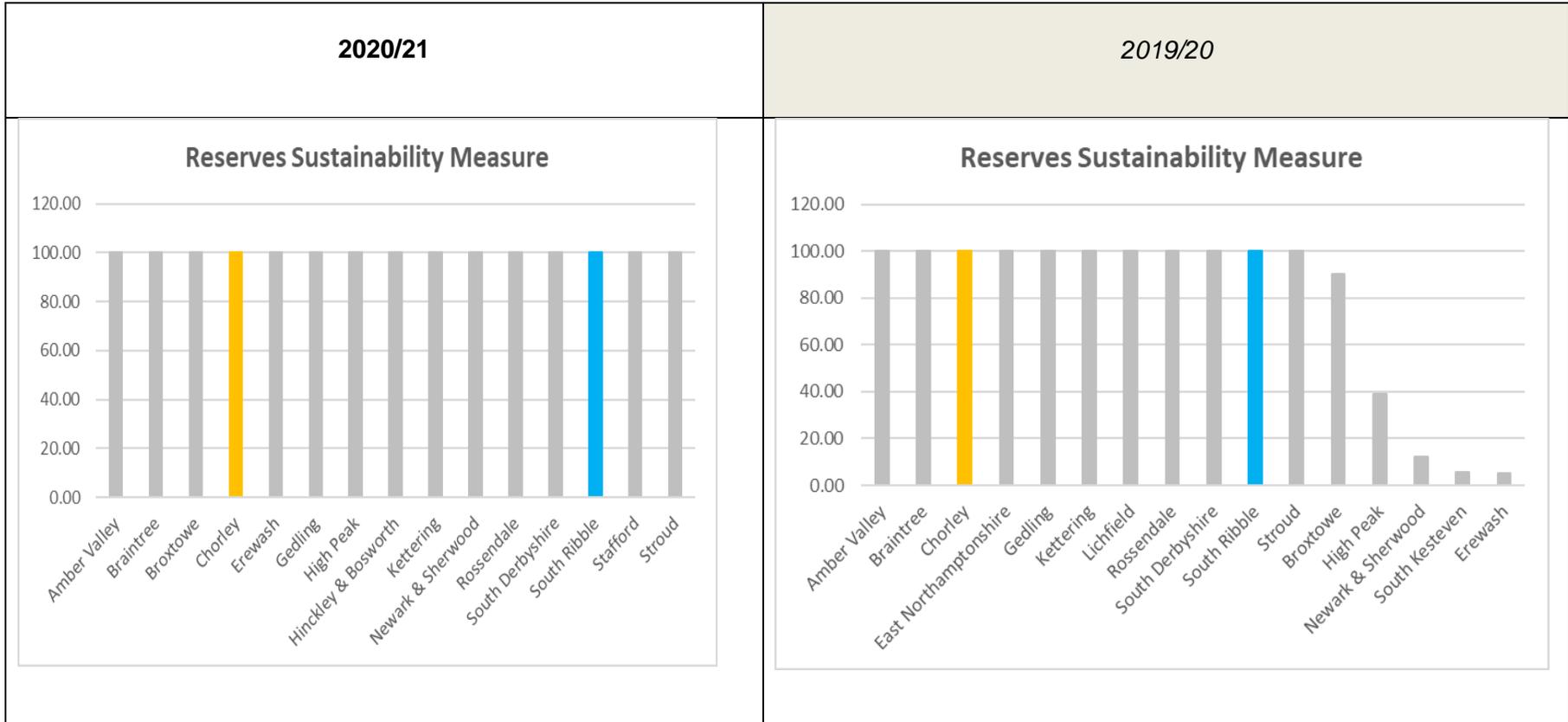
**Appendices**

Appendix A – Comparison of Resilience Indices

Report Author:	Email:	Telephone:	Date:
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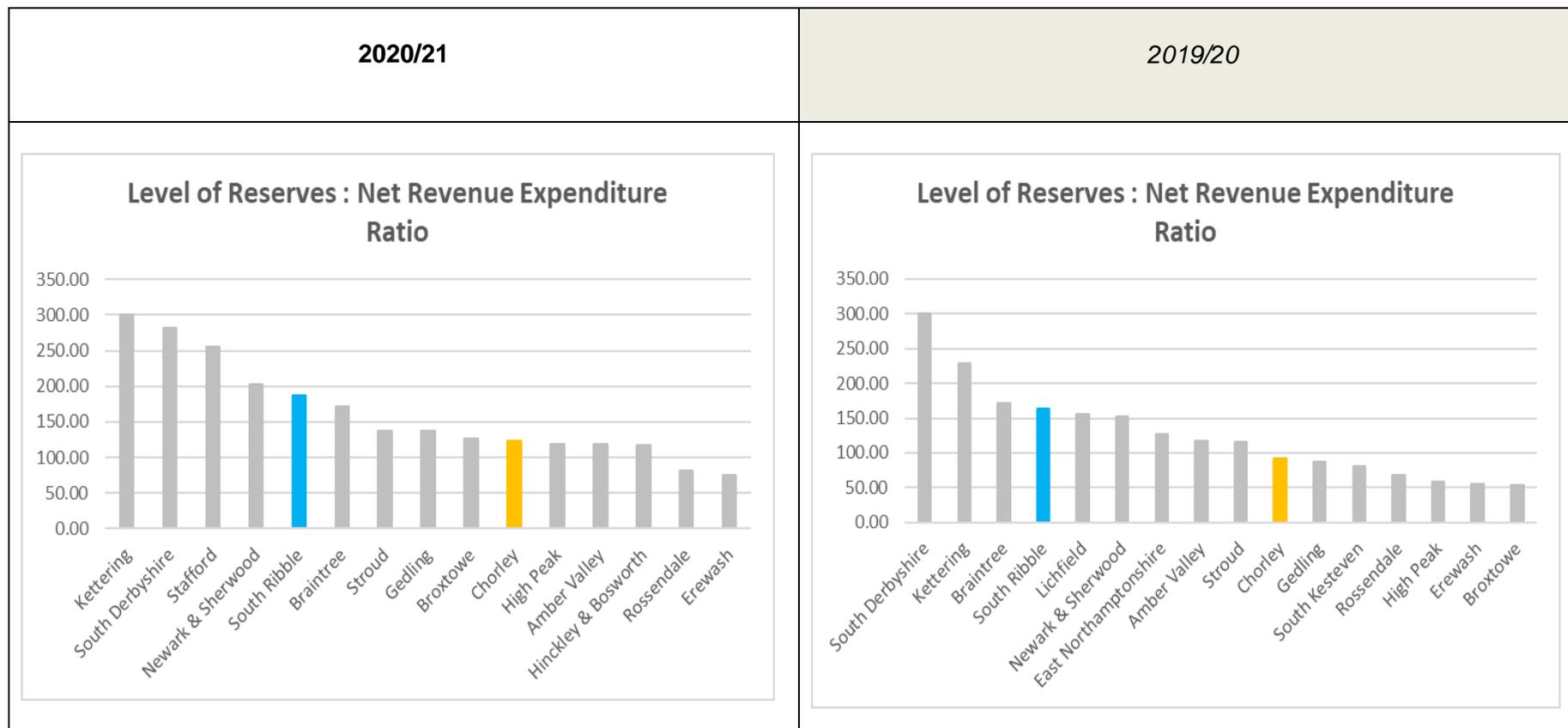
Steve Kenyon (Deputy Director of Finance)	steve.kenyon@chorley.gov.uk	01257 515151	4 <sup>th</sup> July 2022
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**1. Reserves Sustainability Measure**



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

## 2. Level of Reserves

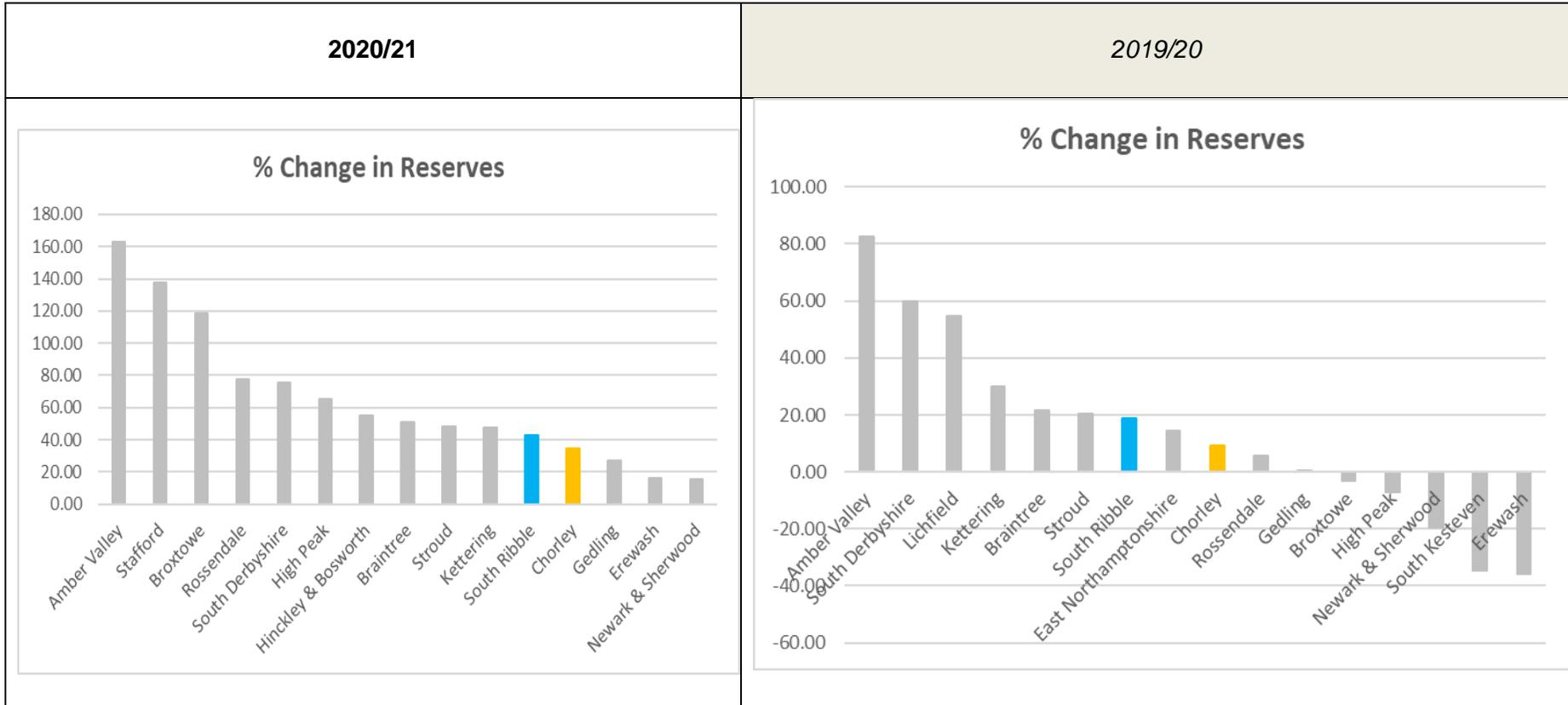


Overall rankings are broadly similar between the two years. The charts highlight the Council has increased their reserves since 2019/20; primarily as a result of Covid Funding carried forward.

Of the 180 districts, against this indicator Chorley holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 96.5% of it's annual Net Revenue, ranking them the 139<sup>th</sup> highest accordingly.

In comparison to the 12 Districts in Lancashire, Chorley had the 10th highest level of reserves compared to net revenue.

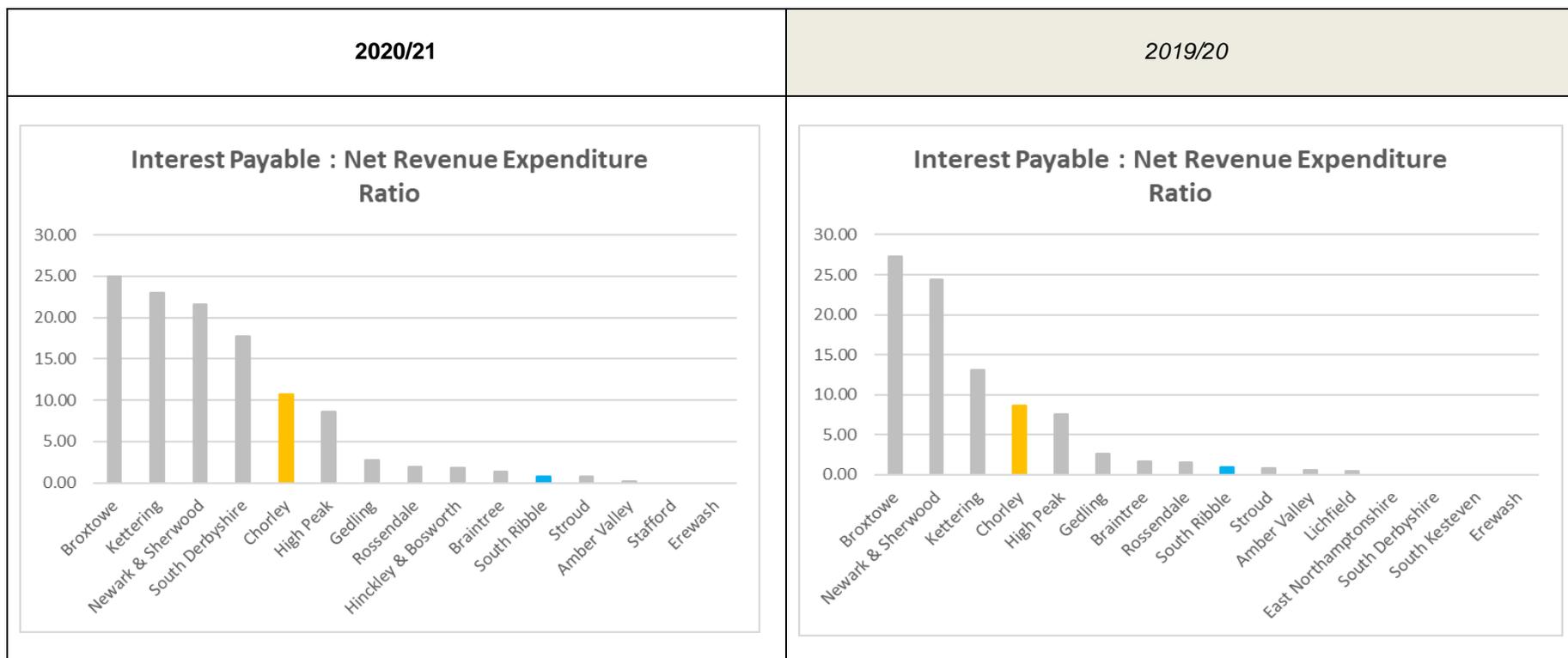
### 3. Change in Reserves



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

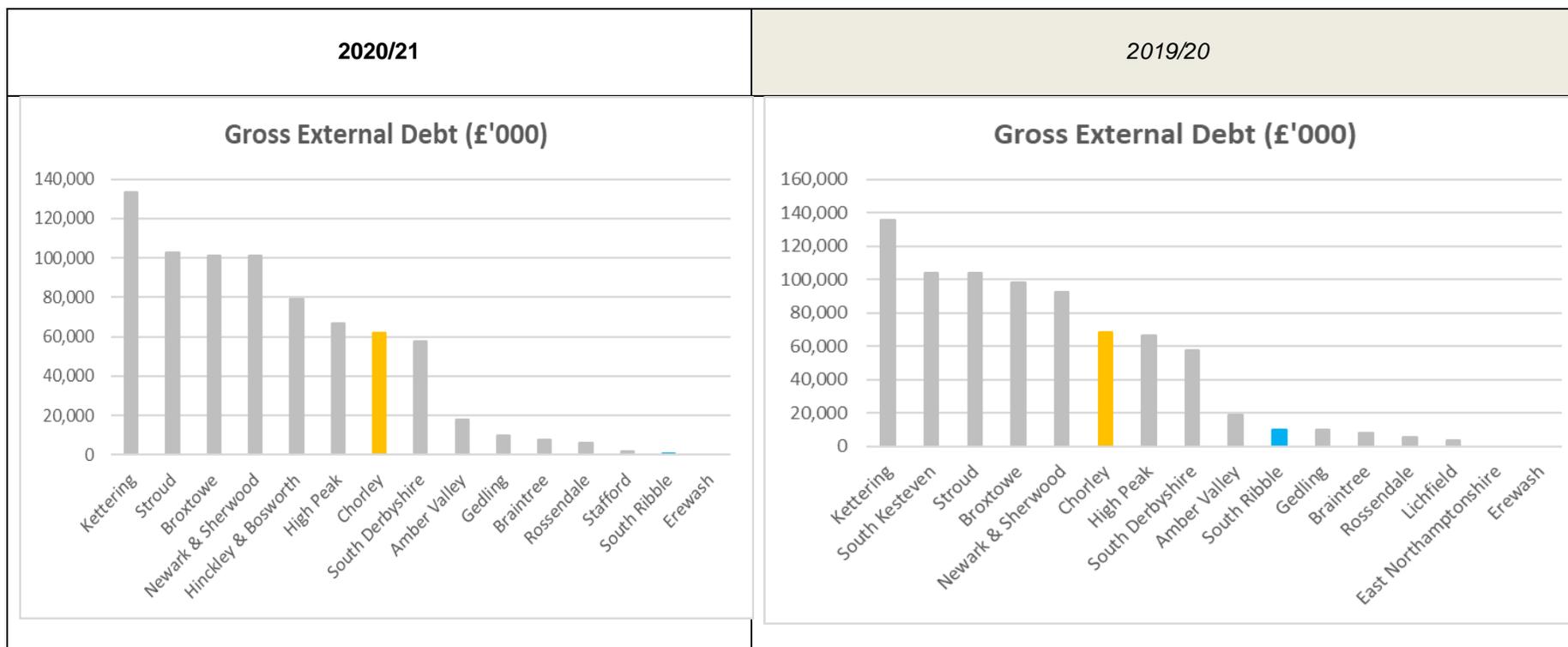


A high level of interest payable compared to Net Revenue Expenditure would be indicative of high levels of borrowing and/or loans taken out at high rates of interest. Overall rankings are broadly similar between the two years.

Chorley continue to feature quite highly in the group, but by no means an “outlier”; this is indicative of recent capital projects e.g. Logistics House, Market Walk, Strawberry Fields; all of which generate significant revenue income streams for the Council.

Considering the level of Interest Payable as a % of Net Revenue (i.e. as a measure of indebtedness), Chorley was 8.37% of net revenue, ranking them 132<sup>nd</sup> lowest level of interest payable as a % of Net Revenue across all 180 District councils. In comparison to the 12 Districts in Lancashire, Chorley had the 10th lowest level of interest payable compared to net revenue.

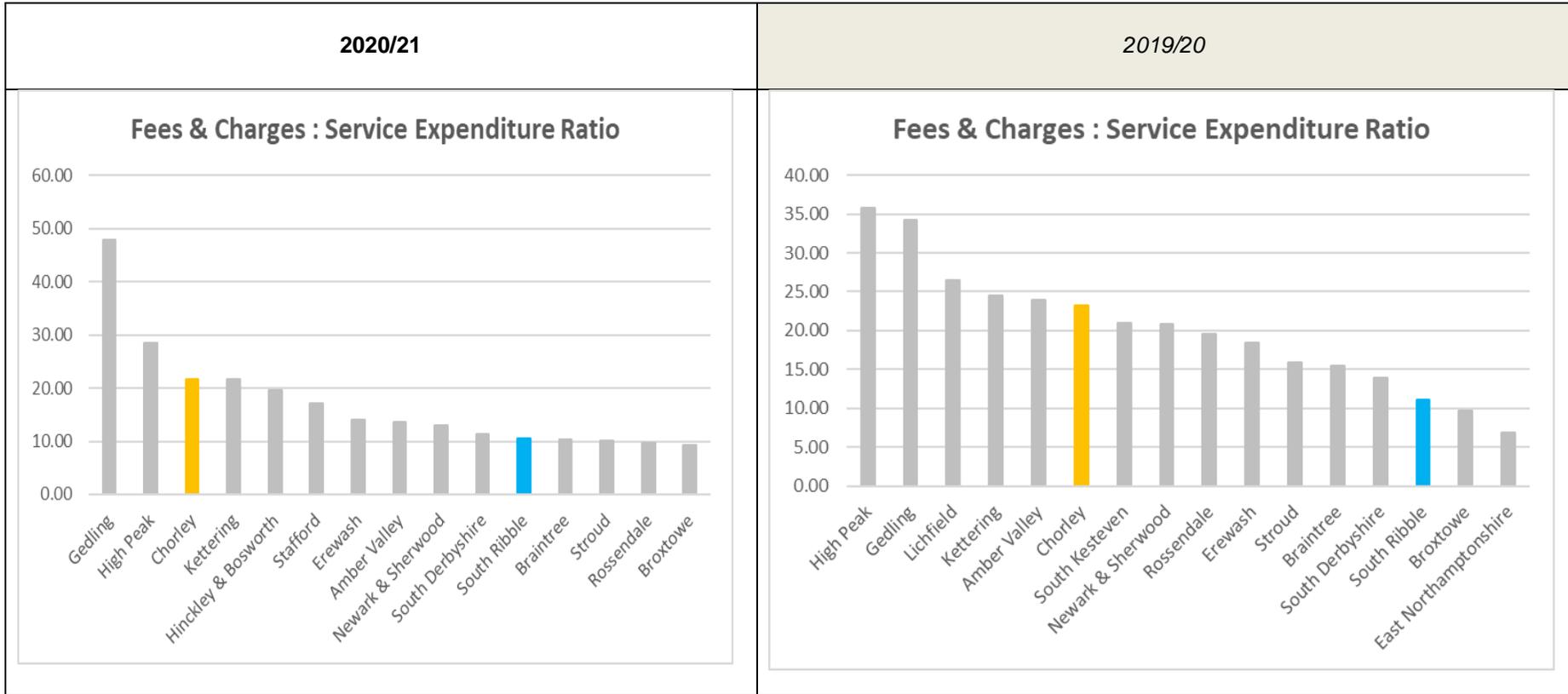
## 5. Gross External Debt



Once again, overall rankings are broadly unchanged between the two years.

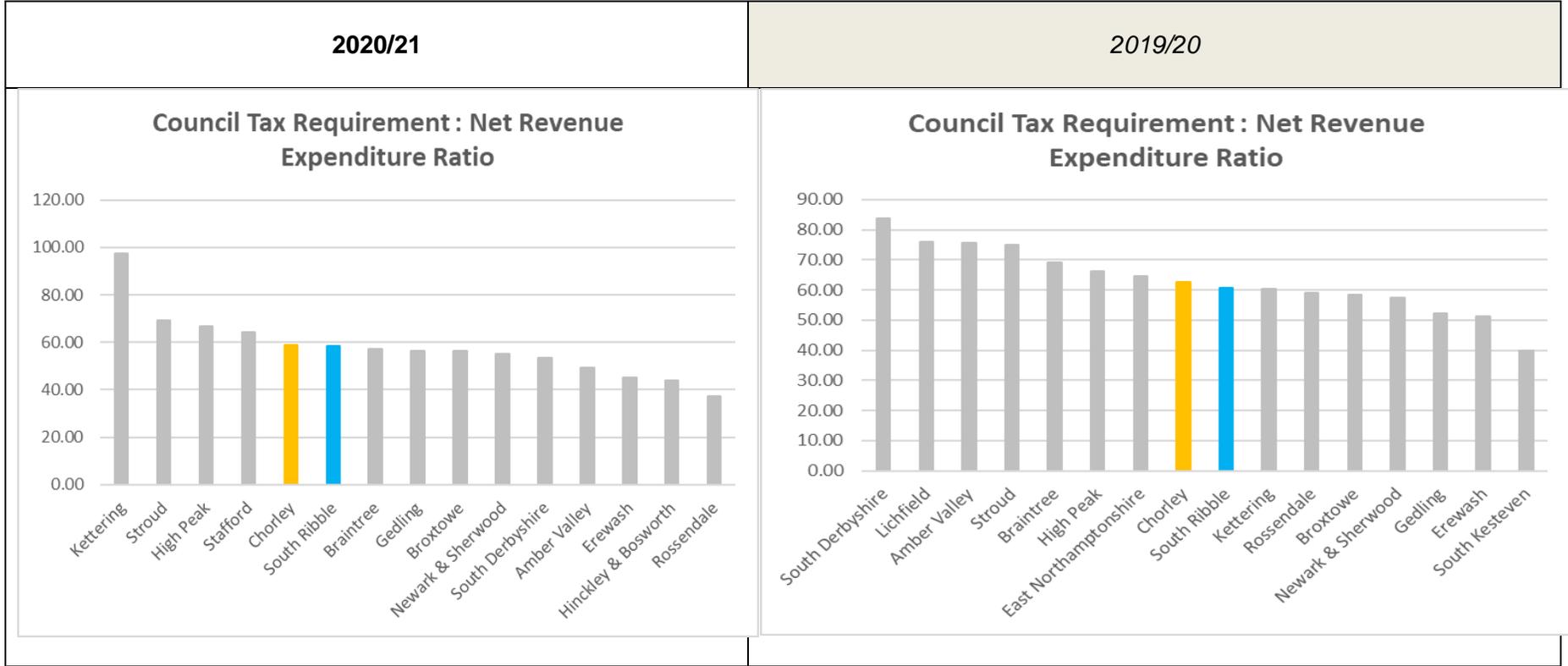
Despite embarking upon a number of large schemes (Logistics House, Market Walk, Strawberry Fields), Chorley's debt is not out of step with the rest of the comparator group – suggesting most Councils are undertaking regeneration / income generation / invest to save capital schemes.

**6. Fees and Charges to Service Expenditure Ratio**



Chorley continues to demonstrate strong performance in terms of the Fees & Charges it generates; this is indicative of the capital investment undertaken by Chorley, and the rental income it generates.

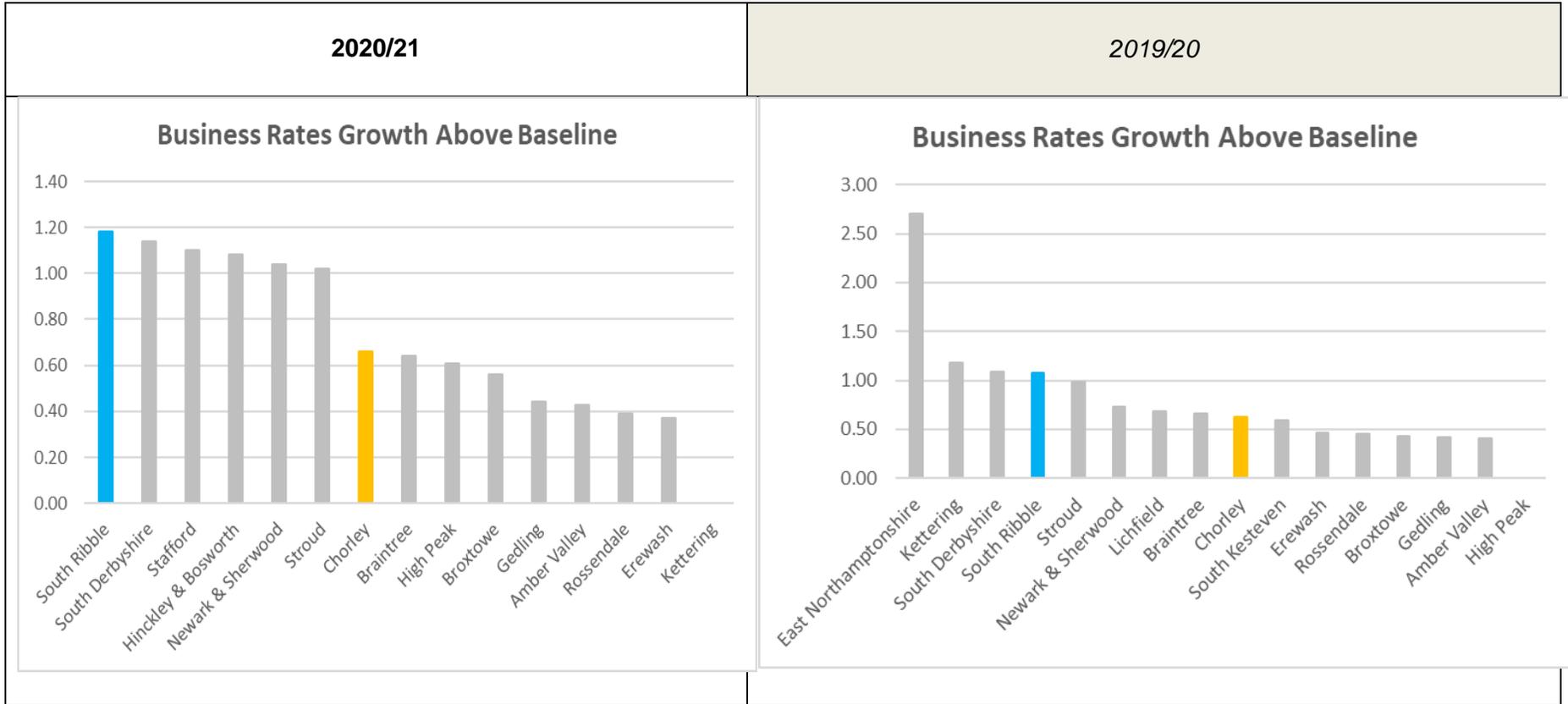
**7. Council Tax Requirement/Net Revenue Expenditure**



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 continues to show healthy growth with levels increased compared to 2019/20.

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Report of	Meeting	Date
Director Change and Delivery	Governance Committee	Wednesday, 3 August 2022

## Strategic Risk 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. 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 19 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.

### Executive summary

6. 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.
7. This report contains the annual update of the strategic risk register for member's information and comment and includes updates identified by the Shared Senior Management team through interim reviews conducted throughout the year. 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:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	<b>An ambitious council that does more to meet the needs of residents and the local area</b>

**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, and 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:

<b>Major</b>	4	4 Low	8 Medium	12 High	16 High
<b>Serious</b>	3	3 Low	6 Medium	9 Medium	12 High
<b>Minor</b>	2				

		2 Low	4 Low	6 Medium	8 Medium
Insignificant	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4
		1	2	3	4
		<b>Rarely –</b> there is a slight possibility that the event will occur	<b>Unlikely-</b> there is a possibility that the event will occur or there is a history of occasional occurrence within the authority	<b>Likely –</b> There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority	<b>Highly likely -</b> 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 at the end of the report. 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. The full register including all of the existing control measures and new actions is available in appendix A.

**Highest Scoring Risks**

14. Many of the highest scoring 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 financial uncertainty in relation to the current national economic context that we will have to continue to address to meet the demand for services and needs of residents. ICT and cyber security also remain a high risk to the council due to the potential impact on service delivery and reputational damage. 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.

15. The highest scoring risks, with an inherent risk score of 16 and residual risk score of 12 are outlined below. Existing control measures and planned actions to help further mitigate risk are outlined within the summary table.
- R1- Failure to realise the value of large investments and achieve return on investments.
  - R3- Budget challenges in key public and third sector partners having a negative impact on local level service delivery.
  - R17- Incidents affecting ICT service delivery/ business continuity or even widespread damage, injury or risk to the public.
  - R18- Cyber-attacks that impact business continuity and delivery.

### Changes to risk scores

16. There are 19 risks included on the strategic risk register. Since the previous review, 3 risks have decreased and 4 have increased, reflecting the changing environment in which the council operates and changing risk levels as we emerge from the Covid-19 pandemic and face new challenges in relation to resourcing.
17. The risks which have decreased in score include:
- **R2- Failure to achieve desired outcomes through partnership working and deterioration in relationships.** The inherent risk score has been reduced from 16 (high) to 12 (high) based on closer working relationships between partners, including the Chorley and South Ribble Partnership, which means that whilst achieving outcomes is still dependent on strategic partners, the partnerships themselves are more robust.
  - **R4- Failure to optimise opportunities for new ways of working** has been reduced from a residual risk of 8 (medium) to 6 (medium) to reflect how the council has adapted to more agile and flexible working as a result of the Covid-19 pandemic including through the Digital and Workplace strategies. The council will have to ensure that it continues to monitor and identify opportunities for new ways of working which may emerge in the future.
  - **R16- Failure to manage the recovery from Covid-19 effectively** has been reduced from an inherent risk of 12 (high) to 9 (medium) and residual risk from 12 (high) to 6 (medium.) This reflects the reduction in risk from the Covid-19 pandemic as measures have relaxed, and indications that the council has adapted well to new ways of working and service needs, for example, a refreshed Economic Development Strategy is being developed to reflect the changing needs of the borough. It is anticipated that this will move to business as usual management over the next year, as the recovery from Covid-19 is further embedded.
18. The risks which have increased in score are set out below:
- **R3- Budget challenges in key public and third sector partners having a negative impact on local level service delivery** has been increased in residual risk

from 8 (medium) to 12 (high.) This reflects that whilst the council retains a strong financial position, there is an increased uncertainty in public sector costs and funding, including due to the impact of increasing inflation and the cost of living crisis. New actions have been identified within the risk register to ensure that Chorley can continue to deliver on local service delivery including accessing schemes linked to the Levelling Up agenda.

- **R5- Lack of resources to deliver the Council's priorities due to public sector funding cuts or lack of staff capacity and skills.** The inherent risk score for R5 has been increased from 12 (high) to 16 (high) to reflect the national uncertainties in relation to costs and funding and the job market shortage which has an impact on successful recruitment and retention of skilled staff. Several new areas of work are being delivered to mitigate this risk, including a People Strategy being developed to support workforce capacity, succession planning and identifying skills gaps earlier.
- **R10- Failure to fully realise the benefits of new technology and related impact on driving organisational change** has been increased from 12 (high) to 16 (high) and residual risk from 6 (medium) to 9 (medium.) Whilst the council continues to aim to maximise the benefits of all new technology, the ICT plan includes a large programme of work to be delivered, which provides the basis of infrastructure and technology to support the effective use of new technology. There has been limited ICT capacity to drive forward this plan with several roles within the service currently being recruited to but there is now a plan in place to move forward with delivery, which will be monitored and supported through the Programme Management Office.
- **R11- Reduction in staff satisfaction and morale** has been increased in inherent risk from 9 (medium) to 12 (high) to reflect national public sector trends in relation to workloads and fatigue from the Covid-19 pandemic, capacity pressures, and adapting to the momentum of organisational change over the last few years. Staff satisfaction and morale is being closely monitored through regular 'pulse surveys' which help to provide a snapshot of wellbeing across the council and identify areas for further development and improvement. The new People Strategy is also currently being developed and will look to support staff morale through measures such as a review and relaunch of staff awards and recognition and more opportunities for staff to engage socially. There is also more capacity in place to manage and monitor organisational change to support staff through it.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
R1	Failure to realise the value of large investments and achieve return on investments	16	12	→	Risk level maintained. Current control measures in place include the budget setting process and monitoring, project and programme management, wholly owned company steering group, SMT programme board and Transformation Focus Group.	Further actions to mitigate risk include the delivery of the investment strategy and ongoing monitoring of investment projects through quarterly monitoring.  A new action, as part of the budget planning process, is for Finance to work closely with services to revisit income models to ensure we are getting the best return on our investments we can.
R2	Failure to achieve desired outcomes through partnership working and deterioration in relationships	12	6	↓	The inherent risk score has been reduced from <b>16</b> (high) to <b>12</b> (high) based on closer working relationships between partners including the Chorley and South Ribble Partnership. This means that whilst achieving outcomes through strategic partnerships is still uncertain, the council's partnerships are more robust.	Planned actions to further reduce risk include the delivery of the corporate project 'join up public services by working with our partners' and a review of the Key Contract and Strategic Partnership Framework. Engaging in discussions and activity related to Levelling Up in Lancashire will also help us to deliver better outcomes through our partners.
R3	Budget challenges in key public and third	16	12	↑	The residual risk has been increased from <b>8</b> (medium) to <b>12</b> (high) to reflect	Additional actions have been identified to further mitigate risk including the delivery of

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
	sector partners having a negative impact on local level service delivery				<p>that whilst the council retains a strong financial position there is an increased uncertainty in funding, including for our key public and third sector partners, due to the impact of inflation and the cost of living crisis.</p> <p>Current measures in place include the MTFS, Transformation Strategy, and partnerships with key public sector partners.</p>	the refreshed transformation programme and engaging in discussions in Lancashire around Levelling Up to ensure Chorley benefits from available funding.
R4	Not adapting to new ways of working- Failure to optimise opportunities for new ways of working	12	6	↓	The residual risk has been reduced from <b>8</b> (medium) to <b>6</b> (medium) to reflect the work that has been carried out during the pandemic to support agile working. This has included the ongoing work through the ICT programme and Digital Strategy, and approval of the Workplace Strategy to set out a vision and action plan for future ways of working. Covid-19 has helped to develop a change in culture across the organisation to support agile	Actions to further mitigate risk include the delivery of the Workplace Strategy including accommodation review and the ICT plan which will help to ensure that the right infrastructure and technology is in place to support new, hybrid, ways of working, such as through the roll-out of new mobile ICT equipment.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
					and flexible working.	
R5	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity) or lack of staff capacity and skills (including as a result of issues in relation to recruitment and retention)	16	9	↑	<p>The inherent risk of lack of resources to deliver the council's priorities has been increased from <b>12</b> (high) to <b>16</b> (high) to reflect the impact of recruitment and retention on the staffing resources available to the council. This reflects wider public and private sector trends and changes to the job market as a result of the Covid-19 pandemic.</p> <p>Current control measures in place include the corporate strategy and service level business plans to assess levels of resource needed and deliver income generation or efficiency projects, the MTFs and budget setting process to identify current and new resources, and resilience from shared services arrangements and the OD strategy to identify skills gaps.</p>	<p>Actions identified to further mitigate the risk include a focus on business growth and income generation through the review of the commercial programme and development of an income generation strategy, the People Strategy to support workforce capacity and skills gaps and SMT to continue monitoring any potential financial impact in relation to the Ukraine Crisis, Cost of Living and inflation.</p> <p>A new action has been identified for the review of management capacity, which will help to ensure that there is the right level of capacity at the head of service level.</p> <p>The new People Strategy will also support recruitment, retention and staff development through:</p> <ul style="list-style-type: none"> <li>- delivery of a review of recruitment and onboarding to ensure this is as efficient as possible</li> <li>- consistent graduate and apprentice process to grow our own</li> <li>- annual development day to give staff</li> </ul>

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
						<p>more time for developing their skills</p> <ul style="list-style-type: none"> <li>- annual workforce review to provide information on any current or upcoming skills gaps</li> </ul>
R6	Failure to react to changing service demand including any change in demand due to the recovery from COVID-19 and internal skill gaps to address this	8	6	→	Risk level maintained. Current measures in place to mitigate risk include use of system data to assess service demands, self-service, and the ICT and Digital Strategy to help manage demand more effectively through new technology.	<p>A new action has been identified to reflect emerging service demand in relation to Ukraine and the cost of living crisis including adapting community support (such as a sponsor support network) and monitoring of any council requirements (such as administration of grants or rebates.)</p> <p>To ensure that the right skills are in place across the organisation to meet service demand, a new People Strategy is in the process of being developed to identify workforce capacity and skill gaps.</p>
R7	Reduction in satisfaction with the Council	6	6	→	The resident survey 2021 shows increased resident satisfaction with the council, however there is still a need to proactively manage the risk to maintain the current risk level.	A further action to be delivered is additional investment in priority areas, to be identified through the annual budget process.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
					<p>Current control measures include methods of measuring customer satisfaction including the resident survey, customer satisfaction survey and corporate health dashboard. Tangible improvements projects in the corporate strategy, customer focus and delivery of communications, campaigns and events are also in place to help support high satisfaction with the council.</p>	
R8	Failure to sustain our performance	12	6	→	<p>Current risk level maintained to reflect that whilst performance remains strong across the council, growing service demand and changes to Government policy creates the risk of challenges to resources which may impact on performance.</p> <p>Current control measures in place to ensure that performance is monitored and sustained include the performance</p>	A new action has been identified for further work to develop the performance and project management systems which will help to support robust reporting and early identification of key issues.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
					management framework which includes regular reporting of corporate strategy projects and indicators, the Project and Performance Leads Network to ensure that the framework is embedded with high quality data and reporting, benchmarking exercises, and the business planning process to identify relevant service level indicators.	
R9	Failure to adapt to external legislative and policy change affecting service delivery	8	6	→	Risk level maintained. To minimise the risk of not responding to external legislative and policy change, control measures are in place including training and development, professional subscriptions in relevant service areas, SMT to monitor and policy and legislative changes in their areas, and the BREXIT risk register.	A new action has been identified in relation to continuing to engage in plans aligned to Levelling Up and monitor the implications for Chorley.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
R10	Failure to maximise new technology- Failure to fully realise the benefits of new technology and related impact on driving organisational change. This includes the failure of staff to take up new technological changes.	16	9	↑	<p>Inherent risk increased from <b>12</b> to <b>16</b> and residual risk from 6 to 9 to reflect that whilst the council continues to work to maximise the benefits of new technology, the delivery of the ICT plan, which will help to ensure that the right infrastructure and technology is in place to support the effective use of new technology, has dependencies across the organisation and that there is currently limited ICT capacity which could impact on the implementation of the plan. This will be monitored through the Programme Management Office and recruitment is currently ongoing to address gaps in ICT capacity.</p> <p>Current measures in place to mitigate risk include the Transformation Strategy, Digital Strategy and Workplace Strategy.</p>	Actions to be delivered include a refresh of the Streetscene Modernisation Strategy, implementation of the accommodation review and delivery of the transformation programme. The delivery of the ICT plan will also help to mitigate risk.
R11	Reduction in staff satisfaction and	12	6	↑	The inherent risk has been increased from <b>9</b> (medium) to <b>12</b> (high) to reflect	Actions in place to mitigate this risk include regular pulse surveys and continued staff

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
	morale with the Council including increase in sickness absence				the issues in relation to capacity, adapting to organisational changes and the ongoing impact of the Covid-19 pandemic and workforce fatigue. This reflects wider trends across the public sector.	engagement have helped to identify specific areas for development with action plans in place.  Further actions to be delivered include the refresh of the Organisational Development strategy, which will be a new People Strategy aligned to the staff survey results 2021, and also the delivery of the refreshed internal communications strategy. New actions have 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.
R12	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public	8	4	→	Risk level maintained. Current 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.	A new action has been identified for SMT to monitor the impact of the Ukraine crisis on business continuity in relation to areas such as supply chains and security.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
R13	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile decision making	9	4	→	<p>Risk level maintained. Current control measures in place include governance arrangements, planning policies, the corporate strategy to include tangible improvement projects and communications and engagement. Other existing measures include ways to monitor and act on any issues that might impact on the Council's reputation such as the residents survey, performance monitoring and monitoring of social media.</p> <p>The Key Contracts and Partnership Framework and monitoring has also been included as a control measure to reflect arrangements for assessing risk to service delivery through strategic partners including the Leisure Company and Waste Contract.</p>	Planned actions include a refreshed Customer Strategy including customer care standards in line with the Shared Customer Service to help ensure high customer satisfaction is maintained.
R14	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and	6	2	→	<p>Risk level maintained. Some of the current control measures in place to mitigate this risk include meetings with the Leader/ Leader of the Opposition, attendance at political group meetings to address key issues, all party Leaders meetings, corporate strategy</p>	

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
	open relationships between political parties				engagement with political parties and member development.	
R15	Failure of Shared Service arrangements	12	8	→	<p>Risk level maintained. Current control measures in place include effective governance arrangements and monitoring through the Shared Services Joint Committee to report on progress and performance against the shared service teams. Additional senior management capacity is now also in place to support change management.</p> <p>Service development plans are scheduled to be delivered for each shared service to set out the transformation of the teams to a single operating model, and will help to ensure the successful implementation of ICT and Customer shared services.</p>	A new action has been identified for a reviewed approach for phase 3 of shared services, which will use lessons learned to minimise impact on service delivery and support successful shared services.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
R16	Failure to manage the recovery from COVID-19 effectively	9	6	↓	<p>Reduction in inherent risk from <b>12</b> (high) to <b>9</b> (medium) and residual risk from <b>12</b> (high) to <b>6</b> (medium) to reflect reduced risk as Covid-19 measures have relaxed and the council has adapted to new ways of working and the current control measures in place to mitigate risk including the BCMT management, effective governance arrangements and the business planning process. These processes will all help to manage the recovery from the Covid-19 pandemic effectively to reflect the changes to service delivery required by the pandemic.</p> <p>Whilst there is still a small risk to performance due to the impact of Covid-19, for example income generation and town centre vacancy rates, performance in these areas is now improving which suggests that the council is recovering well from the pandemic.</p>	New corporate strategy projects have been identified to support the recovery from the Covid-19 pandemic including providing support for enterprise across the borough and a refresh of the council's economic strategy.

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
R17	Incidents affecting ICT service delivery/ business continuity or even widespread damage, injury or risk to the public	16	12	→	Risk level maintained. Current measures in place to mitigate risk include business continuity plans, emergency plans and staff awareness of ICT risks/ threats.	A new action has been identified in relation to the ICT plan which will help to ensure that the right technology and infrastructure is in place to support ICT security and business continuity.
R18	Cyber-attacks that impact business continuity and delivery	16	12	→	Risk level maintained. Measures currently in place to mitigate risk include information security policies and procedures and staff awareness and training including reporting of any issues. A cyber risk report will be produced to further analyse the current position of the council in relation to this risk.	A new action has been identified in relation to the ICT plan which will help to ensure that the right technology and infrastructure is in place to support ICT cyber security alongside mandatory Information Security Framework training for all staff.
R19	Failure to optimise new options for	12	8	→	Risk level maintained. Current control measures in place include the corporate strategy to reflect projects	The delivery of the Medium Term Financial Strategy and Transformation Strategy and Programme will also help to mitigate this risk

Risk No.	Description of Risk	Inherent Score	Residual Score	Direction	Comment	Planned actions
	income generation				that provide opportunities for income generation.	by ensuring that frameworks are in place to identify, monitor and deliver options for income generation.

**Climate change and air quality**

19. The work noted in this report does not impact on the Councils Carbon emissions and the wider Climate Emergency and sustainability targets of the Council.

**Equality and diversity**

20. This report has no equality or diversity implications.

**Risk**

21. Strategic risk for the Council is outlined within this report.

**Comments of the Statutory Finance Officer**

22. 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**

23. There are no legal implications arising from the report.

**Appendices**

Appendix A- Strategic Risk Register

Report Author:	Email:	Telephone:	Date:
Caroline Winstanley (Transformation Co-ordinator)	caroline.winstanley@chorley.gov.uk	N/A	21 July 2022

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**Appendix A - Chorley Strategic Risk Register (2022)**

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
R1 - Poor management of large investments	Failure to realise the value of large investments and achieve return on investment.	Mark Lester (Director (Commercial and Property))	16	Budget setting process	Budget setting process in place	12	Risks associated with financial planning & control	6	Ongoing monitoring of investment projects through quarterly monitoring and Corporate Strategy Programme Board		Conrad Heald (Service Lead - Commercial and Assets) Rachel Salter (Service Lead (Development and Business))
				Regular budget monitoring	Regular budget monitoring						
				Project & programme management	Project & programme management frameworks						
				Major Project and Wholly Owned Company Steering Group							
				SMT Programme Board	Programme Board to monitor progress and delivery						
				Representation in the Corporate Strategy	Large investment projects listed within the Corporate Strategy to allow for regular reporting through Programme Board						
				Transformation Programme and Focus Group	Oversight and challenge of investments						
								Finance to work with services to revisit income models	As part of the budget planning process, Finance will be working with services to ensure we are getting the best return on our investments	Louise Mattinson (Director of Finance)	
								Additional senior management capacity	Additional senior management capacity being recruited to for future investments	Gary Hall (Chief Executive)	
R2- Failure of partnerships	Failure to achieve desired outcomes through partnership working and deterioration in relationships	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	12	Chorley and South Ribble Partnership and role of the Executive	Chorley and South Ribble Partnership and role of the Executive in leveraging priorities	6	Risks relating to the failure of partners/contractors or the contract itself Risks relating to the reputational risks to the Council	4	To engage proactively in discussions around emerging system changes and activity at a Lancashire Level aligned to the 'Levelling Up White Paper'		Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble)) Vicky Willett (Director Change and Delivery)
				Partnership working	Partnership working is a key management competency and part of values and behaviours to be expected of staff						
				Existing working	Working relationships with						

				relationships key partners, both officer and elected member.				Deliver the corporate project 'join up public services by working with our partners through the Chorley and South Ribble Partnership'		Vicky Willett (Director Change and Delivery)
				Continued delivery of actions within the Transformation Strategy	Delivery of actions within the Transformation Strategy and monitoring through Transformation Focus Group					
				Continue to support the development of the ICWS (Integrated Community Wellbeing Service)				Review of Key Strategic Partnership Framework	Review of framework to ensure that it is up to date and reflects best practice in monitoring key strategic partnerships	Vicky Willett (Director Change and Delivery)
				Key Contracts and Partnerships Framework	Key Contracts and Partnerships Framework in place to regulary monitor partnerships against determined objectives					
R3 - Detrimental impact of budget challenges	Budget challenges in key public and third sector partners having a negative impact on local level service delivery	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	16	Existing relationships with key public sector partners	Existing relationships with key public sector partners to continue to deliver outcomes to residents	12	Risks impacting on the achievement of corporate objectives and priorities Risks associated with financial planning & control Risks relating to the failure of partners/contractors or the contract itself Risks relating to the reputational risks to the Council	6	Delivery and monitoring of the Transformation Programme	Vicky Willett (Director Change and Delivery)
				Chorley and South Ribble Partnership	Chorley and South Ribble Partnership					
				MTFS	MTFS and budget monitoring in place to regulary monitor impact of funding and budget gaps alongside local level service delivery				Engaging proactively in Lancashire wide plans aligned to Levelling Up to ensure Chorley benefits from future funding opportunities'	Vicky Willett (Director Change and Delivery)
				Transformation Strategy	Transformation Strategy to identify and achieve income generation and savings					
				Impact assessment undertaken regarding LCC's budget cuts	Every year prior to budget setting we analyse the LCC budget to identify the impacts on CBC budgets and include this, where necessary, in the CBC final budget.					

R4 - Not adapting to new ways of working	Failure to optimise opportunities for new ways of working	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	12	Key strategic partnership framework	Key strategic partnership framework in place to provide monitoring and assurance for new opportunities to work with partners and through contracts to deliver outcomes	6	Risks associated with financial planning & control Risks relating to the failure of partners/contractors or the contract itself Risks relating to operational activity Risks relating to the reputational risks to the Council	4	Review key strategic partnership framework	Partnership framework to be reviewed to ensure this is in line with meeting the councils objectives	Vicky Willett (Director Change and Delivery)
				Corporate Strategy	Ambitious Corporate Strategy to identify new corporate projects for new ways of working				Refresh of the Transformation Programme	Refresh of the Transformation Programme to embed new business models and explore options for income generation	Vicky Willett (Director- Change and Delivery)
				Chorley and South Ribble Partnership	Chorley and South Ribble Partnership to identify opportunities to work with partners to deliver outcomes				Delivery of MTFS		Louise Mattinson (Director of Finance) James Thomson (Deputy Director of Finance)
				Transformation Strategy	Transformation Strategy to identify and deliver new ways of working				Workplace Strategy	Delivery of Workplace Strategy action plan to transform to more agile and flexible working	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))
				Digital Strategy	Digital Strategy and ICT Programme in place to support new ways of working including flexible and agile working				ICT Plan	Delivery of ICT Plan to ensure that the right infrastructure and technology is in place to support new ways of working	Emma Marshall (Service Lead - ICT)
									Income generation strategy	Strategy to form as part of a wider review of commercial projects to bring forward	Mark Lester (Director (Commercial and Property))
R5 - Lack of resources	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity) or lack of staff capacity and skills (including as a result of issues in relation to recruitment and retention)	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	16	Corporate Strategy	Refreshed corporate strategy and service level business plans	9	Risks associated with financial planning & control Risks associated with the recruiting, retaining and motivating	4	Focus on business growth and generating additional income to make the council financially self sufficient	Review of commercial programme / development of income generation strategy	Mark Lester (Director (Commercial and Property))
				Medium Term Financial Strategy and Budget Setting Process	Strong MTFS with regular monitoring in place and additional budget investment in priorities						

				Organisational Development	Continued organisational development programme to identify and act on training and development needs related to staff capacity		Motivating staff. Impact on staff being unable to carry out their job Risks relating to operational activity		People Strategy	Development of a People Strategy to identify workforce capacity and skills gaps and ensure that succession planning and service resilience is in place	Vicky Willett (Director Change and Delivery)
				Resilience from shared services arrangements	Resilience from shared service arrangements to support capacity in shared teams and across the organisation.		Risks relating to the reputational risks to the Council risks associated with recruiting, retaining and motivating staff & developing skills;		Additional senior management capacity	Recruitment to additional senior management capacity in high priority areas	Gary Hall (Chief Executive)
				Transformation Strategy	Transformation Strategy and focus groups to identify and deliver new ways of working to deliver income generation of service efficiencies				Review of management capacity	Review of management capacity at the head of service level to align with future development of shared services	Chris Sinnott (Deputy Chief Executive)
									Review of recruitment and onboarding		Vicky Willett (Director Change and Delivery)
									Consistent process for graduates and apprentices		Vicky Willett (Director Change and Delivery)
									Annual development day		Vicky Willett (Director Change and Delivery)
									Annual workforce review		Vicky Willett (Director Change and Delivery)
									SMT to monitor increasing costs	SMT to monitor increasing costs in relation to the Ukraine crisis, energy and inflation	Gary Hall (Chief Executive)
R6 - Failure to adapt to changing service demand	Failure to react to changing service demand, including any change in demand due to the recovery from Covid-19 and internal skill gaps to address this	Asim Khan (Director (Customer & Digital))	8	System Data	Use of system data and regular monitoring and reporting	6	Risks impacting on the achievement of corporate objectives and	4	Development of a shared Customer Strategy in relation to the new shared Customer Service team	Customer Access policy to be reviewed in line with any changes to service demand	Asim Khan
				Volumetric Data	Volumetric data capture						

	1115			Capture		Objectives and priorities Risks associated with technology		Implementation of the Digital Strategy		Emma Marshall (Service Lead - ICT)	
				Self Service	Self service capability via council website						
				ICT and Digital Strategy	ICT and Digital Strategy to ensure that the right systems and technology are in place to facilitate new ways of working			People Strategy	People Strategy to identify workforce capacity and skills gaps and ensure that succession planning and service resilience is in place	Vicky Willett (Director Change and Delivery)	
				Transformation Focus Group	Transformation Focus Group to provide opportunity to identify and discuss opportunities for new ways of working to meet changes in service demand			Action to reflect emerging service demand- Ukraine and cost of living crisis	Expanded communities/ resettlement support for Ukraine refugees including sponsor support network and community group. Continued monitoring to respond to council requirements for cost of living including administration of grants or rebates	Gary Hall (Chief Executive)	
				Refreshed HR policies and employee benefits	Refreshed HR policies and benefits package in place to support recruitment and retention in relation to skills gaps						
				Digital inclusion project	Digital inclusion projects to support customers with changing services						
R7 - Reduction in Satisfaction with the Council	Reduction in satisfaction with the Council	Gary Hall (Chief Executive Officer)	6	Customer Service	Strong customer service culture	6	Risks relating to the reputational risks to the Council	4	Additional investment in priority areas	This forms part of the annual budget process and is ongoing.	Louise Mattinson (Director of Finance)
				Corporate Health Dashboard	Regular monitoring through the corporate health dashboard						
				Resident Satisfaction Survey	Resident satisfaction survey						
				Customer Satisfaction Survey	Customer satisfaction survey						
				Tangible Improvement Projects in the Corporate Strategy							
				Customer Focus within the Digital and ICT Strategies							

				Delivery of communications, campaigns and events	This is ongoing, with the delivery of communications, campaigns and events ongoing throughout the Covid-19 pandemic. Planned approach to communications to ensure plans are in place for major projects.					
R8 - Reduction in performance	Failure to sustain our performance	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	12	Performance management framework	Performance management framework including regular monitoring and reporting to members and SMT and annual refresh of local indicators	6	Risks impacting on the achievement of corporate objectives and priorities Risks associated with the recruiting, retaining and motivating staff. Impact on staff being unable to carry out their job Risks relating to operational activity Risks relating to the reputational risks to the Council	2	Further work to develop performance and project management systems	Vicky Willett (Director Change and Delivery)
				Project and Performance Leads Network	Network provides training and support to embed the performance framework and ensure high quality data and reporting					
				Business Planning	Annual business planning process to identify service level priorities and indicators to be measured					
				Refresh of the Transformation Strategy	Transformation Strategy and Transformation Focus Group Forward Plan in place to enable opportunities to improve performance whilst delivering service efficiencies					
				Benchmarking exercises	Benchmarking exercises including LG inform to evaluate performance in relation to other council including identifying local and national trends					

R9 - Not responding to external legislative and policy change	Failure to adapt to external legislative and policy change affecting service delivery	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	8	Training and Development	Learning and development programme and professional subscriptions in place to keep updated in relevant service areas	6	Risks relating to operational activity Risks relating to the reputational risks to the Council Risks relating to Legal/Regulatory requirements	4	GDPR Audit		Dawn Highton (Shared Service Lead- Audit and Risk)
				BREXIT risk register	Register in place and updated to reflect risks from BREXIT and mitigating actions				Continue to engage in plans aligned to Levelling Up	Senior resource in place to support future investments, engaging in local and Lancashire level plans	Gary Hall (Chief Executive)
				SMT monitor policy and legislation	SMT to monitor policy and legislation changes in their area, including through the circulation of briefings such as from the LGA and Lawyers in Local Government						
				Additional dedicated resources	Additional dedicated resources to reflect new policies and legislation such as Climate Change Programme Officer						
R10 - Failure to maximise new technology / organisational change	Failure to fully realise the benefits of new technology and related impact on driving organisational change. This includes the failure of staff to uptake new technological changes.	Asim Khan (Director (Customer & Digital))	16	Transformation Strategy	Transformation Strategy	9	Risks associated with technology Risks relating to operational activity	2	Undertake benefits realisation around technology changes	Work with Transformation and Change to undertake a benefits realisation	Asim Khan (Director (Customer & Digital))
				Digital Strategy	Digital Strategy and ICT Programme including implementation of Office 365 to support agile working				ICT Plan	Deliver ICT Plan to ensure infrastructure and technology in place to support effective new technology	Emma Marshall (Service Lead - ICT)
				Shared Services	Review of Shared Service teams has included agile working across councils				Accommodation review	Accommodation review in line with Workplace Strategy	Simon Charnock (Transformation Officer (Digital))
				Workplace Strategy	Workplace Strategy to identify the vision for future working and use of technology in line with agile and flexible ways of working bought about through Covid-19				Refresh of Streetscene Modernisation Strategy	Refresh Streetscene Strategy to identify next steps for modernisation of streetscene including through the use of technology	Chris Walmsley (Streetscene Services Manager)

								Develop and implement-Deliver the transformation programme	Develop and implement-Deliver the transformation programme to support the refreshed Transformation Strategy	Vicky Willett (Director Change and Delivery)	
R11- Low staff satisfaction & morale	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	Vicky Willett (Director Change and Delivery)	12	OD and Health & Wellbeing programmes	OD and Health & Wellbeing programmes	9	Risks associated with the recruiting, retaining and motivating staff. Impact on staff being unable to carry out their job	3	Refresh of the OD strategy	Refresh of the OD strategy to take into account current priorities including through the staff survey results	Vicky Willett (Director Change and Delivery)
				Healthcare cash back scheme	Healthcare cash back scheme				Internal Communications Plan	Refresh of internal communication plan to review approach and ensure best practice	Andrew Daniels (Shared Service Lead - Communications and Visitor Economy)
				Refreshed HR policies	Refreshed HR policies and benefits package in line with shared services to ensure best practice				Interactive staff experience		Vicky Willett (Director Change and Delivery)
				Delivery of additional management training	Implementation of Passport to People Management and Flair programmes				Review and relaunch of staff rewards and recognition		Vicky Willett (Director Change and Delivery)
				Staff Survey 2021	Staff survey to inform areas for further development						
				Pulse Survey	Regular pulse surveys to monitor staff wellbeing more frequently and identify areas for further development						
				Staff engagement	Staff engagement including Listening Days, Staff Matters and working groups which aims to ensure staff feel more valued and engaged.						
R12 - Incidents affecting service delivery	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public	Chris Sinnott (Deputy Chief Executive)	8	Business Continuity Plan	Business Continuity Plan in place to outline process in case of incidents	4		2	Business continuity plans refreshed and reviewed	Business continuity plans to be refreshed and reviewed to align processes across Chorley	Dawn Highton (Shared Service Lead Audit and Risk)



				Performance Monitoring	Performance monitoring framework in place to identify areas of concern and action plans to address					
				Corporate Strategy	Tangible improvement projects in the corporate strategy					
				Monitoring of social media	Monitoring of social media (comments, threads, themes) respond appropriately and alert where needed					
				Key Contracts and Partnerships Monitoring	Regular monitoring and governance arrangements with key strategic partners including leisure company and waste contract.					
R14 -Poor relationships between officers and political parties	Failure to build and maintain strong relationships of trust and confidence between officers and each party (promote good and open relationships between political parties)	Chris Moister (Director of Governance)	6	Meetings with leader/leader of the opposition	Bi-weekly meeting with leader and regular meetings with the leader of the opposition.	2	Risks impacting on the achievement of corporate objectives and priorities	2		
				Attendance at political group meetings to address key issues.	Attendance at political group meetings to address key issues.					
				Corporate Strategy development and engagement with political parties	Corporate Strategy reviewed and refreshed annually					
				Member development	Member development programme and development plans to ensure continued development of skills and knowledge					
R15 - Failure of Shared Services arrangements	Failure of Shared Services arrangements	Gary Hall (CEO)	12	Strategic partnerships framework	Strategic partnerships framework monitor shared services agreement with South Ribble Borough Council	8	Risks associated with financial planning & control Risks relating	2	Service Development Plans Service Development Plan to transform the shared ICT and Customer Services to a single operating model to be delivered and monitored	Vicky Willett (Director Change and Delivery)

				Effective governance arrangements	Effective governance arrangements are in place for the shared services agreement		to the failure of partners/contractors or the contract itself Risks relating to operational activity		through Transformation Focus Group and Shared Services Joint Committee		
				Best practice to shape future services	Use of best practice to shape future services to ensure high performing and successful services		Risks relating to the reputational risks to the Council		Additional senior management capacity	Recruitment to additional senior management capacity will support the delivery and development of shared services	Gary Hall (Chief Executive)
				SSJC Monitoring	Regular monitoring of shared services through SSJC to identify progress and any issues				Reviewed approach to future phases of shared services	Reviewed approach to future shared services to focus on lessons learned from phase 1 and 2 will help to ensure that shared services are implemented successfully and are sustainable	Chris Sinnott (Deputy Chief Executive )
R16 - Poor Covid-19 recovery	Failure to manage the recovery from Covid-19 effectively	Chris Sinnott (Deputy Chief Executive (Chorley and South Ribble))	9	BCMT management	Business Continuity Management team and plans in place to manage the response to Covid-19 and recovery of organisation	6	Risks impacting on the achievement of corporate objectives and priorities Risks associated with financial planning & control Risks relating to operational activity	4	Corporate Strategy Projects	Corporate Strategy Projects are in place to support the recovery from the Covid-19 pandemic including providing support for enterprise across the borough and a refresh of the council's economic strategy	Vicky Willett (Director- Change and Delivery)
				Effective governance arrangements	Governance arrangements are in place to help ensure effective decision making including in relation to Covid-19 recovery						
				Effective business planning process	Business planning process in place to consider actions for Covid recovery in each service area						
R17- New 2021 Incidents affecting ICT Service Delivery and Business Continuity	Incidents affecting ICT service delivery/business continuity or even widespread damage, injury or risk to the public	Asim Khan (Director Cusomter and Digital)	16	Business Continuity Plan	Business Continuity Plans in place to set out response to incidents affecting service delivery	12		6	Business continuity plans refreshed and reviewed	Business continuity plans to be refreshed and reviewed to align processes across Chorley and South Ribble	Dawn Highton (Shared Service Lead- Audit and Risk)

				Emergency Plan	Emergency Plan in place to prepare for serious incidents			Undertake risk exercise	Undertake risk exercise to identify areas for further improvement	Asim Khan (Director Customer and Digital)	
				Staff awareness of ICT risks/ threats and reporting of any issues	Staff awareness and training for ICT risks and threats to ensure reporting of any issues and mitigating the risk of ICT service delivery			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)	
				National, regional and local security plans	Security plans and policies are in place at a national, regional and local level.			ICT Plan	Deliver ICT Plan to ensure infrastructure and technology in place to support security and business continuity	Emma Marshall (Service Lead - ICT)	
R18- New 2021 Cyber-attacks that impact business continuity and delivery	Cyber attacks that impact business continuity and delivery	Asim Khan (Director Customer and Digital)	16	Staff awareness and training	Staff awareness of ICT risks/ threats and reporting of any issues including training to refresh knowledge	12	Risks impacting on the achievement of corporate objectives and priorities	6	Cyber risk report to be produced	Risk report to be produced to identify current status and improvements to cyber security	Asim Khan (Director (Customer & Digital))
				Information Security Policies and Procedures	National, regional and local security plans				Cyber security to continue to be monitored in line with the Ukraine crisis including responding to advice from the National Cyber Security Centre	Asim Khan (Director Customer and Digital)	
									Mandatory Information Security Framework training to be completed by all staff	Emma Marshall (Service Lead- ICT) Vicky Willett (Director Change and Delivery)	
									ICT Plan	Deliver ICT Plan to ensure infrastructure and technology in pace to support security and business continuity	Emma Marshall (Service Lead - ICT)

R19- Failure to optimise new options for income generations	Failure to optimise new options for income generation	Mark Lester (Director Commercial and Property)	12	Corporate Strategy	Corporate Strategy to reflect projects that provide opportunities for income generation	8	Risks associated with financial planning and control	6	Delivery of the MTFS	Delivery of MTFS to ensure opportunities for income generation are carried out.	Louise Mattinson (Director of Finance)
									Delivery of the Transformation Strategy and Programme	Delivery of transformation strategy and programme to ensure opportunities for income generation are delivered	Vicky Willett (Director Change and Delivery)





























## Governance Committee Work Programme 2022/23

### 1 June 2022

Report	Officer
External Audit Progress Report	External Auditor
External Audit Plan 2021-22	External Auditor
Management Response to External Audit Planning Enquiries	Steve Kenyon
Charities and Trust Funds 2021/22	Martin Fisher
Internal Audit Annual Report 21-22	Dawn Highton
Review of the effectiveness of Internal Audit	Dawn Highton
Draft Annual Governance Statement	Chris Moister

### 3 August 2022

Report	Officer
Treasury Management Annual Report 2021/22 and June Quarter Monitoring report 2022/23	Louise Mattinson
Statement of Accounts for the financial year 2021/22	Louise Mattinson
Audit Progress Report and Sector Update	Grant Thornton

### 23 November 2022

Report	Officer
Internal Audit Plan October - March	Dawn Highton
Annual review of probity policies	Dawn Highton
Audit and Risk Interim Report	Dawn Highton
Governance Committee effectiveness review	Dawn Highton
Audit Findings Report	Grant Thornton
Audited Statement of Accounts 2021/22	Louise Mattinson
Treasury Management Activity Mid-Year Review 2022/23	Louise Mattinson
Audit Progress Report and Sector Update	Grant Thornton

### 18 January 2023

Report	Officer
Audit and Risk Interim Report	Dawn Highton
Audit Progress Report and Sector Update	Grant Thornton




**15 March 2023**

<b>Report</b>	<b>Officer</b>
Internal Audit Plan April – September	Dawn Highton
Auditors Annual Report	Grant Thornton
Audit Progress Report and Sector Update	Grant Thornton