

Committee: Accounts, Audit and Risk Committee
Date: Wednesday 22 January 2014
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor Trevor Stevens (Chairman)	Councillor Mike Kerford-Byrnes (Vice-Chairman)
Councillor Andrew Beere	Councillor Ray Jelf
Councillor Nicholas Mawer	Councillor Lawrie Stratford
Councillor Rose Stratford	Councillor Barry Wood

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

3. Petitions and Requests to Address the Meeting

The Chairman to report on any requests to submit petitions or to address the meeting.

4. Urgent Business

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

5. **Minutes** (Pages 1 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 4 December 2013.

6. **Chairman's Announcements**

To receive communications from the Chairman.

7. **Third Quarter Risk Review** (Pages 7 - 24)

Report of Head of Transformation

Purpose or Report

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the third quarter of 2013/14 and highlight any emerging issues for consideration.

Recommendations

The meeting is recommended:

- 1.1 To review the quarter 3 Strategic, Corporate and Partnership Risk Register and identify any issues for further consideration.

8. **Use of Purchase Orders** (Pages 25 - 28)

Report of Interim Head of Finance and Procurement

Purpose of Report

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the Council's use of Purchase Orders.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report on the progress the Council is making to improve the use of purchase orders.

9. **Design & Operation of the IT General Controls within Agresso** (Pages 29 - 32)

Report of Interim Head of Finance and Procurement

Purpose of Report

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the external auditor's work around the IT controls within Agresso.

Recommendations

The meeting is recommended

1.1 To note the contents of the report.

10. External Audit: Annual Audit Plan 2013-14 and Grants Certification Annual Report 2012-13 (Pages 33 - 72)

Report of Interim Head of Finance and Procurement

Purpose of report

To receive Ernst Young's reports: setting out external audit's Annual Audit Plan 2013-14; and summarising external audit's certification work on grants claims for 2012-13.

Recommendations

The meeting is recommended

1.1 To note the contents of Ernst Young's reports.

11. Internal Audit Progress Report (Pages 73 - 80)

Report of Chief Internal Auditor

Purpose of report

To receive PriceWaterhouseCooper's progress report summarising their internal audit work to date.

Recommendations

The meeting is recommended:

1.1 To note the contents of the progress report.

12. Public Sector Internal Audit Standards (Pages 81 - 92)

Report of Chief Internal Auditor

Purpose of Report

To provide members with details of the new Public Sector Internal Audit Standards.

Recommendations

The meeting is recommended:

1.1 To note the content of this report and Appendix 1.

13. Q3 Treasury Management Report (Pages 93 - 100)

Report of Interim Head of Finance and Procurement

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2013-14 for Quarter 3 as required by the Treasury Management Code of Practice.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of the Quarter 3 (Q3) Treasury Management Report

14. Updated Treasury Management Strategy 2014-15 (Pages 101 - 134)

Report of Interim Head of Finance and Procurement

Purpose of report

To receive an updated Treasury Management Strategy for 2014-15 and note the actions and proposals in respect of the funds held by fund managers Investec.

Recommendations

The meeting is recommended:

- 1.1 To note the updated Treasury Strategy for 2014-15.
- 1.2 To note the action and proposals in respect of funds held with Fund Managers Investec.

15. Anti-Fraud and Corruption plus Whistle Blowing Update

Verbal Update of Interim Head of Finance and Procurement and Fraud Manager

16. Accounts, Audit and Risk Committee Work Programme (Pages 135 - 136)

To review the Committee Work Programme

Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.

Information about this Meeting

Apologies for Absence

Apologies for absence should be notified to democracy@cherwellandsouthnorthants.gov.uk or 01295 221589 / 012595 221554 prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item.

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Evacuation Procedure

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the car park as directed by Democratic Services staff and await further instructions.

Access to Meetings

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

Mobile Phones

Please ensure that any device is switched to silent operation or switched off.

Queries Regarding this Agenda

Please contact Natasha Clark / Sharon Hickson, Democratic and Elections
natasha.clark@cherwellandsouthnorthants.gov.uk, 01295 221589 /
sharon.hickson@cherwellandsouthnorthants.gov.uk, 01295 221554

Sue Smith
Chief Executive

Published on Tuesday 14 January 2014

This page is intentionally left blank

Agenda Item 5

Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 4 December 2013 at 6.30 pm

Present: Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford-Byrnes (Vice-Chairman)

Councillor Andrew Beere
Councillor Ray Jelf
Councillor Nicholas Mawer
Councillor Lawrie Stratford
Councillor Barry Wood

Also Present: Councillor Ken Atack, Lead Member for Financial Management

Guests: Cecilie Booth, Capita Asset Services, Treasury Advisor
Alastair Rankine, Ernst & Young, External Audit
Ed Cooke, PriceWaterhouseCooper, Internal Audit

Apologies for absence: Councillor Rose Stratford

Officers: Tim Madden, Interim Head of Finance and Procurement
Nicola Jackson, Corporate Finance Manager
Karen Muir, Technical & Project Accountant
Natasha Clark, Team Leader, Democratic and Elections
Sharon Hickson, Assistant Democratic and Elections Officer

30 **Declarations of Interest**

There were no Declarations of Interest.

31 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

32 **Urgent Business**

There was no urgent business.

33 **Minutes**

The Minutes of the meeting of the Committee held on 18 September 2013 were agreed as a correct record and signed by the Chairman.

34 **Chairman's Announcements**

The Chairman announced that, in light of the training session held before the meeting, he had asked officers to amend the work programme and submit the Purchase Orders Update and IT Access reports to the January meeting of the Committee instead of this meeting.

35 **Q2 Treasury Management Report and Draft Treasury Management Strategy 2014/15**

The Committee considered a report of the Interim Head of Finance and Procurement on the Council's treasury management performance and compliance with the treasury management policy for 2013/14, and the review of the draft of the Treasury Management Strategy for 2014/15.

In introducing the report, the Corporate Finance Manager advised the Committee that as at the end of September the Council had £11.8m invested with fund manager Investec and £57m managed in-house. At this point in the year, the council was projecting to be on target for its investment performance.

The Committee noted that the Investec rate of return was very low and interest received was minimal. In response to Members' queries regarding the feasibility of moving all investment in-house, the Technical and Project Accountant explained that the Council would need to review its Investment Strategy to ensure that it was relevant for the additional amounts of money that would be available to invest. The Committee was advised that a number of the investments held by Investec had maturity dates and it was recommended the investments be retained until maturity to accrue the best interest possible.

The Treasury advisor explained that in the current economic climate, whilst other fund managers may have better rates than Investec, none would match the current In-House rate. She suggested Members may wish to give consideration to bringing external investments in-house upon maturity and re-investigate fund managers when the market improved.

The Committee agreed it was important to review the Investment Strategy and requested officers to bring a report setting out options and recommendations to the Committee's January meeting.

Resolved

- (1) That the contents of the Quarter 2 (Q2) Treasury Report be noted.

- (2) That the draft Treasury Management Strategy 2014/15 be noted.
- (3) That Officers be requested to submit an updated Treasury Management Strategy 2014/15 to the January meeting, addressing the issues raised by members.

36 **Exclusion of Press and Public**

Resolved

That, in accordance with Section 100A(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of that Act.

37 **Q2 Treasury Management Report and Draft Treasury Management Strategy 2014/15 - Exempt Appendices 1, 2 and 3**

The Committee considered the exempt annexes to the report of the Interim Head of Finance and Procurement on the Council's Quarter 2 Treasury Management Report.

Resolved

- (1) That the exempt appendices be noted.

38 **Readmittance of the Public and Press**

Resolved

That the public and press be readmitted.

39 **External Audit - Annual Audit Letter**

The Committee considered a report of the Interim Head of Finance and Procurement which sought consideration of the Ernst and Young LLP Annual Audit Letter summarising their external audit work for 2012-13.

In introducing the report, the External Auditors reported that the issues raised were the same as those raised in the results phase.

The External Auditors reassured members of the adequate provisions in place to pick up any areas of concern, the Governance statement with individual officers responsible for different areas should provide warning of any potential issues.

The External Auditor reported that the Housing Benefit grant had received certification in November with minimal adjustments. A certification report would be submitted to the Committee's January meeting together with the Audit Plan and fees which were currently being finalised.

The audit fees previously quoted in September meeting will be presented by letter at the January 2014 meeting.

Resolved

- (1) That the contents of the Annual Audit Letter be noted.
- (2) That the Ernst Young local government audit committee briefing be noted

40 **Internal Audit Progress Report**

The Committee considered a report of the Interim Head of Finance and Procurement which sought consideration of Internal Audit report which summarised their internal audit work to date.

In presenting the report the Internal Auditor reported the change in the number of planned contingency days available was due to movement of days to other areas the committee were assured that the remaining days were adequate.

Resolved

- (1) That the report be noted

41 **Anti Fraud and Corruption plus Whistle Blowing Update**

The Interim Head of Finance and Procurement provided a verbal update on anti-fraud and corruption plus whistle blowing. The Committee was advised that investigations into Fraud were on going and fines being recorded and that there had been no occurrence of Whistle Blowing within the authority since 1 October 2013.

42 **Committee Work Programme 2013/14**

The Committee considered its Work Programme 2013-14.

Resolved

- (1) That the work programme 2013-14 be noted

The meeting ended at 7.50 pm

Chairman:

Date:

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Third Quarter Risk Review

Report of Head of Transformation

This report is public

Purpose of report

To update the Committee on the management of Strategic, Corporate and Partnership Risks during the third quarter of 2013/14 and highlight any emerging issues for consideration.

1.0 Recommendations

The meeting is recommended:

- 1.1 To review the quarter 3 Strategic, Corporate and Partnership Risk Register (appendix 1) and identify any issues for further consideration.

2.0 Introduction

- 2.1 The Council sets out its approach to managing risk in its Risk and Opportunities Management Strategy. This document is reviewed and updated on an annual basis and sets out the framework for managing risks of all types.
- 2.2 Risks are reviewed on a quarterly basis, undertaken by the Accounts, Audit and Risk Committee and JMT. This takes the form of reviewing the strategic risk register. Operational risks are reviewed at the departmental level but can be escalated to the strategic risk register if required. Risks may be identified and added to the strategic risk register at any point during the year. However, a formal review is undertaken in the final quarter of the year to refresh the strategic risk register and identify any new or emerging risks or opportunities.
- 2.3 In summary this report sets out the following:
 - The principles by which the Council manages risk
 - The quarter 2 risk heat map (appendix 2)
 - The quarter 3 risk heat map (appendix 3)

3.0 Report Details

3.1 Underlying Principles: the following principles continue to be used for the management of risk

Core Risks: these are the core set of strategic and high level risks that are recorded in the Council's Risk Register and are managed by JMT. They are monitored by the Accounts, Audit and Risk Committee and JMT on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

Residual/Net Risk: this is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in residual risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

3.2 Types of Risk the Council distinguishes between types of risk and those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at the service and directorate level and not corporately through the strategic risk register. Our definitions are as follows:

- Strategic risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and in particular on its ability to deliver its four strategic priorities.
- Corporate risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- Partnership risks to a partnership meeting its objectives or delivering agreed services/ projects.
- Operational risks specific to the delivery of individual services/service performance or specific projects.

3.3 The Council's Risk and Opportunities Strategy was fully reviewed and redeveloped during 2011/12 to take into account the new joint management arrangements with Cherwell District Council. The strategy has been in operation for a year and has ensured that the joint management team uses a single approach to risk management. Risks are clearly identified as South Northants, Cherwell or shared and managed to reflect this status.

The strategy has been reviewed as part of an annual process and minor adjustments have been made. These reflect the recommendations made as part of the audit and changes to the information management and data collection system that underpins the process.

As part of the business planning process for 2013/14 strategic, corporate and partnerships were fully reviewed by JMT (undertaken February 6 2013).

Third Quarter Risk Review

3.4 The quarter 3 risk register is attached as appendix 1 and the Quarter two and three risk heat maps at appendices 2 and 3 respectively. The register has been reviewed by the risk owners and members of JMT. Each risk has commentary for the quarter included.

3.5 Changes to the risk register are summarised below:

The table below presents the quarter three Cherwell District Council and common risk updates to the strategic risk register:

Risk Type	Risk name	Comments
Strategic Risks	CDC Local Plan - County SHMA	<ul style="list-style-type: none"> County SHMA preparation well advanced in Quarter 2 and due for publication in January 2014 which reduced the risk. The Risk of major increase in housing numbers proposed is receding and this has maintained the risk for Quarter 3.
Corporate Risks	Business Continuity	<ul style="list-style-type: none"> Incident Management Team contact list updated and ready for circulation ahead of inclement weather period. Risk escalated as probability higher in the winter. The responsibility for BCP has been changed to the Head of Community Services, handover is on-going. In Quarter 2 the risk increased and has been maintained for Quarter 3.
	Equalities	<ul style="list-style-type: none"> In Quarter 2 the risk rating has been escalated, two customer complaints have resulted from poor equalities and customer service. Training and communications required at SNC. JMT have reviewed public sector equalities duty. Quarter 3 No change to risk controls/rating at this time. Tailored training programme to be developed for affected service areas. JMT received briefing on the outcomes of the review of the Public Sector Equality Duty. All controls continue to be maintained and in place.
	CDC Planning (Major Applications)	<ul style="list-style-type: none"> Quarter 1 Improvement measures introduced earlier in the year have resulted in successive rise in performance year to date. Quarter 2 Improvement plan actions continue to be carried out. Developers being encouraged to have as much information ready in advance of the applications being submitted Performance sustained and is well above target at 80% Quarter 3 the risk has been maintained

4.0 Conclusion and Reasons for Recommendations

4.1 The following options have been identified. The approach in the recommendations is believed to be the best way forward.

Option One To support the current approach and having considered the Strategic, Corporate and Partnership risks, report any concerns arising to the Executive.

Option Two To reject the current approach and proposals and report any concerns arising to the Executive.

5.0 Consultation

CDC Accounts, Audit and Risk Committee Both committees have been consulted
SNC Audit Committee on the development of the risk strategy.

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To reject the current approach and proposals and request recommend an alternative approach to risk management. This option is not recommended as it departs for the Council's stated approach to risk management as set out in its risk and opportunities strategy.

7.0 Implications

Financial and Resource Implications

7.1 There are no specific financial implications arising from this report.

Comments checked by: Tim Madden, Head of Finance and Procurement,
Tel: 0300 003 0106, E-mail: tim.madden@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no specific legal implications arising from this report,
Comments checked by: Kevin Lane, Head of Law and Governance,
Tel: 0300 0030 107, Email: kevin.lane@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All strategic priorities

Lead Councillor

Councillor Nicholas Turner:
Lead Member for Customers and Performance

Document Information

Appendix No	Title
Appendix 1	Quarter three Risk Register 2013/14
Appendix 2	Quarter two risk heat map
Appendix 3	Quarter three risk heat map
Background Papers	
	Risk Audit 2012/13
Report Author	Louise Tustian, Senior Performance & Improvement Officer
Contact Information	Louise.tustian2@cherwellandsouthnorthants.gov.uk 01295 221786

This page is intentionally left blank

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed if applicable
S1	01/04/2013	Common	KL		Policy and legislative change	The councils fail to adequately respond to the implications of changing national policy resulting in loss of opportunity, reputational damage or legal challenge	Political / Social / Economic	4	5	20	The emerging new policy and legislative agenda continues to be tracked by professionally qualified officers	Oct-13	JMT forward plan, Executive and cabinet Forward plans, Scrutiny Committees. Business and Service Planning. Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly JMT undertake policy oversight role	2	4	8	The financial implications for both Councils arising from the Local Government Financial Settlement and County Council budget savings proposals have been the subject of close scrutiny by the Interim Head of Finance and Procurement and reported to Leading Members	No legal challenge has been made to any decision by either Council alleging misapplication of the law	The legal challenge to a planning approval at CDC was successfully defended. No other pending legal challenges exist at CDC or SNC.	
S3	01/04/2013	Common	MH		Financial resilience	The impact of external financial shocks, new policy and increased service demand reduces the councils medium and long term financial viability	Political / Social / Economic	4	4	16	Medium Term Financial Strategy Complete	Oct-13	Highly professional, competent, qualified staff Good networks established locally, regionally and nationally National guidance interpreting legislation available and used regularly Members aware and are briefed regularly Participate in NFO and OTA workstreams Programme management approach being taken	2	4	8		Budget and financial strategy committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and risk Committee, Scrutiny Committees	MTFS reviewed as part of the 14/15 Budget process. The impact of the 14/15 settlement announcement being analysed.	
S4	01/04/2013	Common	MH		Capital Investment and Asset Management	Poor investment and asset management results in the councils' not maximising financial return or losing income.	Political / Social / Economic	3	4	12			Treasury management policies in place Investment strategies in place Regular financial and performance monitoring in place Independent third party advisers in place and different ones used at each council Regular bulletins and advice received from advisers Fund managers in place Property portfolio income monitored through financial management arrangements on a regular basis Experienced professionally qualified staff employed at both councils	2	3	6		Budget and financial strategy committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and risk Committee, Scrutiny Committees	Risk review and draft treasury strategy for 14/15 being consulted on. Funds with funds manager to be returned and managed in house.	
S5	01/04/2013	SNC	AC		SNC Managing Growth and capitalising on opportunities	Failure to capitalise on the growth agenda results in lost opportunities in terms of economic, community and infrastructure development and financial gains (e.g. business rates retention). The ultimate impact is long term and impacts upon the strategic objectives of the council and quality of life for local residents and communities.	Political / Social / Economic	4	4	16			Master planning process Core strategy Economic development strategy Inward investment plan	2	3	6	JCS approved at JPC	Planning Policy and Regeneration Strategy Committee	Revised Joint Core Strategy approved for consultation at 16th Dec 2013 JPC meeting, completion of examination in March 2014 and adoption of JCS protects against speculative development.	
S6	01/04/2013	SNC	CS		Moat Lane Development	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the Council. Failure to realise economic opportunities Reputational damage Increased costs (if failure to deliver within the programme timescales) Negative impact on the local environment (site of a special monument)	Customer Citizen / Service Delivery / Operational	4	5	20	Contract went unconditional early in October and the project has now moved to the development phase. The project board has also received a presentation on the design and build concept, and have considered an initial development programme. The Project Board will now receive in due course a revised risk register and initial consultation proposals. Risk reviewed, actions considered and no change to risk controls or rating		Project manager in lead role Project board Legal agreements in place Joint venture with the developer (underpinned by legal agreements) Monthly performance / projects reports Resources and technical advice provided as part of the developer agreement	3	3	9	Stage 1 commenced as planned	Project governance and detailed risk register		
S6b	29/07/2013	SNC	CS		Moat Lane - stage 1 start date	Risk of delay to the start date of the first phase	Resource / Financial / Human	4	3	12	The project board have agreed a commencement date on site of 2nd December this was achieved. Provisional date for piling to commence is the 6th January and completion of the first phase is now anticipated March 2015. Confirmed development plan to be considered by project board shortly, and revised roles confirmed for officers. Audit committee have been updated regarding risk issues on the 21st November.	06/01/2013		1	1	1	Stage 1 commenced as scheduled.	Project governance	Piling commenced 6 January 2014 as scheduled Risk closed 31st December 2013 - new Risk relating to potential stage 1 delays will be reported in Quarter 4.	Jan 2014

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed if applicable
S7	01/04/2013	SNC	AC		HS2	Failure to engage on HS2 matters and failure to plan to mitigate potential impacts of HS2 result in: A higher negative impact on the district in terms of environment, disruption and economy than would be the case if the best mitigation outcomes are achieved. Failure to be seen to be acting in the best interests of the district and attempting to influence decision making may also have an impact on the council's reputation.	Political / Social / Economic	5	5	25	Mitigation Blueprint being drafted. SNC continues to be active in Technical Officers Group and has Member and Officer representation on the main 51M board		Part of the 51 m group Part of the Oxfordshire and Northants planning group (working with developers to manage the impact) Involvement with local community groups Working with local parish councils	4	4	16			Community Forums ceased in September 2013. Consultation event with parishes undertaken in October. HS2 Ltd team will continue bi-lateral discussions and Petition Management in respect of the Hybrid Bill published 25/11/2013. SNC is focused on preparation of mitigation strategy as basis for Petition in 2014.	
S8	01/04/2013	Common	CR		Customer Service Improvement	Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction	Customer Citizen / Service Delivery / Operational	4	3	12	A capital bid has been submitted for work on CRM system and integrating on a shared council basis and for new Customer Portal		CDC – customer service standards in place (e.g. voicemail) Web – both councils redesign undertaken and on-going development is undertaken – this includes online forms and payment Managers discuss service changes with customer services to mitigate any negative impact on customer service On-going review of the web (SNC you said we did page – noting actions taken from customer feedback) Customer communications in local / residents newsletters Customer complaints process JMT highlight service changes to customer service teams to ensure web/service team can deliver	3	3	9		Project governance, performance management reporting, customer insight reporting.	Web redesign timing not aligned with Moat Lane and move to self service. Decisions on Customer Portal and CRM for both councils still to be made. Gov Metric contract renewed as joint application with savings on costs. Use to be extended to all customer facing teams (SNC)	
S9	01/04/2013	SNC	AC		Silverstone Masterplan	Failure to capitalise on the opportunities afforded to the district through the Silverstone development and failure to manage the risks associated with the programme result in: • Failure to maximise long term economic benefit to the district • Negative impact on the a43 – (impact of transport risks) • Negative impact on council's reputation	Political / Social / Economic	4	4	16	Commitment to delivery of Development Brief		Planning negotiation processes (to cover transport delivery) Section 106 process to cover economic gains Strong working relationship with Silverstone	2	2	4		Silverstone Masterplan coordination group established.	The new owners of Silverstone are considering the development trajectory is for the site. They have committed to the delivery of the Development Brief, which includes - 4,800 additional jobs, 3 hotels (39,847m2), a development area of 122,519m2 Business Park/62,662m2 tech park and the focus on the creation of a High Performance Engineering cluster	
S10	01/04/2013	SNC	AC		SNC Local Plan	Failure to ensure sound local plan is submitted by 27/03/13 results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Parish briefings being organised.	24/01/2013	Partnership working with the JPU will deliver some elements of the plan (this partnership is recorded on the risk register as a separate item) For issues which are solely within the control of SNC polices, plans and resources are in place. Work is well advanced on rural settlements, village confines draft planning guidance and development control polices are underway. A statement of community involvement is in place	3	4	12			Consultation on the Issues stage of the Local Plan began on 28th October 2013 and runs to 24th Jan 2014. Briefings held for Members with Parishes. A number of Parishes have already responded to SNC.	
S11	01/04/2013	SNC	EP		SNC Changes to Waste Collection	Failure to deliver effective changes to waste collection results in higher costs, reduced recycling rates, loss of council's reputation or procurement challenge	Customer Citizen / Service Delivery / Operational	4	4	16	Lagan/Bartec integration	30/11/2013	Project Manager & Project Structure identified to manage the change. Representation across the organisation for the project teams including Communications, Finance, HR to ensure risks are fully understood and the relevant skills and knowledge of the teams are sufficient to deliver the change.	2	3	6		Project governance	The scheme is now fully in place - recycling rate has risen significantly. Calls have now been returned to the Customer Service Centre	Close Jan 14

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed if applicable
S12	01/04/2013	CDC	ID		Deprivation and Health Inequalities	Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met	Political / Social / Economic	3	3	9	2013/14 Priorities established		Long term commitment to support local people and communities as many issues can only be addressed on this basis Multi agency actions with clear and common objectives Additional funding from Government grants to supplement current resources LSP focus on Brighter Futures in Banbury programme Contingency fund made available in CDC budget Programme co-ordination role in place Quarterly performance management in place	2	3	6		Project governance, LSP oversight, quarterly reporting, annual I report.	Improved multi-agency engagement now in place and 2013/14 priorities have been established. Wider agency involvement from the voluntary, faith and education sectors underway Several new projects are under consideration.	
S13	01/04/2013	CDC	KC		Bicester Eco-Town	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	Political / Social / Economic	4	4	16			Planning policy development through Local Plan Eco Town Project plan & related partnerships working with private & public sector partners Programme Board in place Lead Member in place	3	3	9		Programme Governance, performance management	All risks reviewed at SDB meeting in October. Work on exemplar site to commence January 2014.	
S14	01/04/2013	CDC	AC		CDC Local Plan	Failure to ensure sound local plan is submitted results in inappropriate growth in inappropriate places. This leads to negative (or failure to optimise) economic, social, community and environmental gain. There is also potential negative impact on the council's ability to deliver its strategic objectives and manage its reputation.	Political / Social / Economic	4	5	20	Local Plan submission to Secretary of State		A local development scheme is in place which details the timeframes and deliverables to underpin the work Resources are in place to support delivery	3	4	12			Executive approved draft submission of the Local Plan in October as did Full Council on 21 October. The Plan is being submitted to the Secretary of State on 24th January 2014.	
S15	16/08/2013	CDC	AC		CDC Local Plan - County SHMA	There is a risk that CDC will need to consider additional housing in 2014 to meet the unmet need of Oxford.	Political / Social / Economic	4	5	20	Reporting response being considered by SPIIP and OPPO. On-going.		SPIP and OPPO are actively engaged in addressing the issues arising through the preparation of the SHMA.	3	4	12			County SHMA preparation is well advanced. Due for publication in Jan 2014. Risk of major increase in housing numbers proposed is receding.	
S16	01/04/2013	CDC	KC		Bicester Town Centre Development	Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council	Political / Social / Economic	3	4	12	Phase 2 Due to commence in May 2014		Project manager in lead role Project board Legal agreements in place Joint venture with the developer (underpinned by legal agreements) Monthly performance / projects reports Resources and technical advice provided as part of the developer agreement	3	3	9	Phase 1 delivered Phase 2 to commence May 2014	Project Governance	Contractor appointed to deliver Phase 2. Discussions being held with Stakeholders on design. Project Board for Phase 2 will meet bi-monthly	
S17	01/04/2013	CDC	ID		Horton Hospital	Failure to retain Horton services locally results in loss of local services and less access to health care for local people	Political / Social / Economic	4	4	16			Support to the Oxford University Hospitals Trust (OUHT) and emerging GP commissioning structure to maintain services Providing evidence of deliverability of consultant delivered services elsewhere Gaining consensus locally that this is important Ensuring local councillors are briefed and engaged to play a community leadership role Continuing to support a local stakeholder group (CPN) with OUHT, GP and OCC representation to hold service commissioners and providers to account and to communicate the health sector changes to the wider population.	3	4	12			Concern locally about the withdrawal of emergency abdominal surgery. Other operational issues have been highlighted by local General Practitioners (GP's). The Oxfordshire Clinical Commissioning Group Commissioning Strategy aims to influence the future vision for the Horton. Change, whether driven by technology, funding reductions of clinical practices is inevitable in all hospitals but strong resistance locally due to concern over hospital's status and services.	
C1	01/04/2013	Common	CR	JF	Business Continuity	That plans are not in place to ensure services can be delivered in the event of a issue resulting in service failure and reputational damage	Business Continuity	4	5	20	Hand over to public protection manager to align BCP and emergency planning	Dec-13	Business continuity strategy in place All services prioritised and recover plans reflect the requirements of critical services ICT disaster recovery arrangements in place JMT lead identified Incident management team identified All services undertake annual business impact assessments	4	3	12	Handover work in progress	Audit and business continuity plan refresh quarter 4	Handover work in progress : see also reference to ICT disaster recovery C2A - risk reviewed separately for SNC ICT.	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed if applicable
C2	01/04/2013	CDC	JP	GJ	ICT loss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation).	Business Continuity	4	4	16	Achieved ISO 22301 accreditation		BCP Plan Disaster recovery arrangements (CDC) Recovery site (CDC) Back up of systems Process and standards (compliance regime)	3	3	9		External accreditation	BCP controls reviewed by external accreditator. Controls remain effective	
C2a	01/04/2013	SNC	JP	GJ	ICT loss of systems	Failure of ICT services including telephones and remote access. Leading to a negative impact on customers, loss of business continuity and cost to the council (in terms of resources and reputation).	Business Continuity	4	4	16	Original combined risk now separated into one risk for each Council due to issues raised relating specifically to SNC		BCP Plan Disaster recovery arrangements (Limited) Recovery site (CDC) Back up of systems Process and standards (compliance regime)	3	4	12		External accreditation	Awaiting feedback on submitted proposals	
C3	01/04/2013	Common	MH		Corporate Fraud	Lack of corporate governance and control results in fraud from either within or outside the councils.	Legal & Professional	4	4	16			Professionally qualified finance staff. Communication of anti-fraud messages Dedicated fraud teams at SNC and CDC. Anti-fraud trained staff at both authorities Specific corporate fraud resource within the Finance project team at SNC. Fraud risk assessments carried out periodically. Audit Committee at SNC, Accounts, Audit and Risk Committee at CDC Benefit fraud campaigns advertised. Benefit fraud identification and convictions communicated to the local press. Internal controls processes and procedures (segregation of duties, checking of information etc.) Periodic checking of data (single person discounts, Audit Commission data matching etc.) Membership of National Anti Fraud Network. Role of S151 and monitoring officers. Fraud detection & prevention corporate policies in place such as Whistle Blowing and Anti-fraud & Corruption Policy. Standard agenda items on Accounts, Audit and Risk Committee and Audit Committee.	2	4	8	SFIS (Single Fraud Investigation Service) implementation date post October 2014 - potential emerging risk to be discussed during Q4 in connection with this risk	Budget and financial strategy committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and risk Committee, Scrutiny Committees	Risk reviewed, no changes to controls or risk rating at this time.	
C4	01/04/2013	Common	JP	CT	Managing Data and Information	Poor data quality or lack of relevant information results in poor decision making	Legal & Professional	4	4	16	Audit planned for December 2013	31/01/2014	Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place	3	3	9	Data Quality Audit currently being undertaken - report anticipated during Q4.	Audit, data quality checks as part of performance management framework.	Risk reviewed - no change. Data Quality Audit currently being undertaken	
C5	01/04/2013	Common	KL		Member Decision Making	That members do not have access to information and support to make effective decisions	Legal & Professional	4	4	16	Scrutiny member development event via Parliamentary Outreach Service organised to increase effectiveness of Scrutiny Committees. Interim Head of Finance and Procurement to be engaged to cover for departure of permanent post holder	Oct 13 Sept 13	Attendance of professionally qualified and experienced officers at all Member decision taking meetings. Council Constitutions. Member Development Programmes. Legislative requirements. Call in processes.	2	4	8	The new Member reporting template for both Councils now includes the mandatory insertion of legal implications arising from the recommended decision.	No decision has been made by either Council which is inconsistent with the policy framework or legal requirements	No successful legal challenges have been made to any decision at either Council in the year to date.	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed if applicable
C6	01/04/2013	SNC	JP		Moat Lane Relocation and Change	That failure to effectively manage the Moat Lane relocation and organisational change project results in increased costs, reputational damage and loss of opportunity to improve the councils performance and accessibility.	Customer Citizen / Service Delivery / Operational	5	4	20	A project board is in place and meeting frequently. The senior client on the Moat Lane Regeneration project is in regular and very close communication with the OC&R Project Manager, and closely involved with all aspects of OC&R where it relation to the relocation Risks are routinely reported to the project board and a risk mitigation budget is proposed.		Project Team, Project Board, Stakeholder engagement strategy	3	4	12		Project Board, Senior Sponsor	The project continues to be managed in accordance with the Council's project management approach and board meetings are held monthly. The start of work on site (the Community Building design and build element of the Moat Lane Regeneration Project) will prompt a review of how the next stage of this project is delivered to ensure there is no duplication or gaps between the two. Junkfest now complete. Options for backscanning (and associated storage and retrieval) are now being looked at. Engagement with furniture suppliers continues; the sponsor has signed off the ICT network and power requirements for SNC. Building works for Tove depot have been all costed and get under way at the beginning of January. Discussions are ongoing with partners on signage, design and marketing/ naming of the building. A meeting has been planned for early January to kick off the plans for relocation and related business continuity. ICT resourcing remains the highest risk, and the budget requirement will be finalised and sources confirmed in January. A significant engagement with JMT to secure the necessary business lead on removal and changed working practices is planned for early February.	
C7	01/04/2013	Common	MH		Joint Working	Failure to implement and manage joint working results in not meeting savings targets or a decline in performance and/or reputational damage	Customer Citizen / Service Delivery / Operational	5	4	20			Leading members and Joint Management Team committed to partnership working and reducing associated costs wherever possible Programme management approach ensures regular review, monitoring and delivery Number of business cases progressing well Initial discussion taking place with other potential partners Financial imperative to deliver savings built into the budget	3	4	12	Recruitment to Joint Transformation Team in progress	Executive, Cabinet, Joint Arrangements Steering Group	No change to risk rating. Interviews and appointments being progressed for Joint Transformation Team.	
C8	01/04/2013	Common	JP	JF	Communications	Failures to manage internal and external communications results in reputational damage to the council or reduced performance/staff morale	Reputation / Communication	4	4	16	Social media manager permissions given to all CDC and SNC communications staff, all of whom have at least a basic understanding of process. Communications plan produced for Bicester Sports Village (CDC). Frequent communications meetings held with staff to ensure controls are sufficient. SNC communications staff shortage (sickness and resignation) resolved with phased return to work and appointment of new communications officer.		Centralised press office function Members attributed and sign of press releases Communications strategy in place Members media training Social Media Policy Specific communications plans in place for major projects	3	3	9	An updated Corporate Communications Strategy is being developed to reflect the changes within the team over the current municipal year. A supporting web strategy will also be developed. An acceptable usage policy has been developed for social media and all communications staff have permissions to respond to enquiries via this channel, this includes remote access to ensure comments can be responded to or deleted if they are deemed to be inappropriate. Regular communications team meetings are held to discuss current and upcoming issues and to manage our action and responses accordingly.	SNC members communications panel, CDC member lead for communications, Quarterly performance reporting, CDC annual satisfaction survey includes comprehensive communications section.	Risk reviewed, controls in place and adhered to - no change to risk rating	
C9	01/04/2013	Common	JP	CT	Equalities	Failure to comply with equalities legislation results in legal challenge, costs and reputation damage	Legal & Professional	4	4	16	Military event planned for SNC 25 Nov 2013. CDC events are on track.	Dec-13	Rolling programme of equality assessments Equality policy and corporate plan in place Equalities requirements to be identified in service plans Equalities training available for staff and members Equalities awareness programme at CDC (knowing our communities)	4	3	12		Annual update to cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Steering group to co-ordinate work.	No change to risk controls/rating at this time. Tailored training programme to be developed for affected service areas. JMT received briefing on the outcomes of the review of the Public Sector Equality Duty. All controls continue to be maintained and in place.	
C10	01/04/2013	Common	JP	DB	Health and Safety	Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council	Legal & Professional	4	5	20			Both Councils have policies, procedures, and arrangements in place to mitigate the risks of accidents to staff, members of the public and contractors that may be affected by the Councils actions	3	5	15			Risk reviewed, no changes to risk controls or risk scores	
C11	01/04/2013	Common	CR	JF	Emergency Planning	That plans are not in place to ensure the council responds effectively in the event of a civil emergency and local residents are not supported. This could result in casualties, unnecessary hardship, impact on the local environment, costs and reputation.	Customer Citizen / Service Delivery / Operational	3	4	12	EP are reviewed quarterly and provided to our partners in the TVLRF. Desk top exercises have been undertaken on implementation of both EP and BC plans in Cherwell and across Oxfordshire		Emergency plan reviewed quarterly and on activation.	2	4	8		OCC EP Division have accepted our EP as being sufficient and suitable. OCC have also led on desk top studies of implementation.	Risk reviewed, no changes to controls or risk rating	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed if applicable
C12	30/06/2013	CDC	AP		CDC Planning (Major Applications)	That planning performance (major planning applications) does not meet the planning inspectorate threshold and is subject to special measures	Reputation / Communication	5	4	20	Approach reviewed in light of government proposals and a set of actions agreed to address performance on majors. Actions have resulted in improved performance, without prejudicing the stated philosophy of supporting growth.		*Closer management monitoring of progress, including a mid-point review. *Identifying early if there is a need for senior management and political steer. *Agreeing extensions of time with applicants. *Monthly performance review meetings with Head of Service and Director	3	4	12	Improvement plan actions continue to be carried out. Developers being encouraged to have as much information ready in advance of the applications being submitted	Head of Service and Director oversight	Performance sustained and is well above target at 80%	
P1	01/04/2013	SNC	CR		SNC Community Safety Partnership	The partnership doesn't add value to the work of the council Undertakes projects that don't align with strategic objectives of the council. Council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Customer Citizen / Service Delivery / Operational	3	3	9			Elected member representation at CSP Board level. Partnership has a clear strategy with measurable targets: clear and informative performance management document produced each month. Local action plans for multi-agency groups in Towcester and Brackley areas.	2	2	4			Achievement against targets continues to be good and selected councillors are included in the distribution of performance bulletin. Days of Action have taken place in Towcester and Deanshanger with further days planned: local councillors have been involved with these and are appreciative of the impact. CPU staff have good engagement with the PCC, ensuring SNC have a voice in the decision-making process.	
P2	01/04/2013	Common	CR		Policing and Crime Commissioner	The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the Council PCC commissions projects that don't align with strategic objectives of the Council. Loss/reduction of funding to Community Safety. Becomes isolated from PCC. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	Community Safety Partnership meetings on-going. Chair of CSP sits on PCP and OSCP. CSP strategy and action plan refreshed to reflect PCC policing plan		Effective local Community Safety Partnership meetings Elected member representation at PCP Elected Member representation at Northamptonshire and Oxfordshire Board (OSCP) arrangements. Elected Member representation at CSP Aligned with PCC Policing Plan Elected membership in accordance with agreed PCP steering group policy	2	2	4	PCC action plan results reported via OCC quarterly funding agreed for 2014-15	PCC subject to scrutiny by PCP. CDC chair of CSP sits on PCP	PCC grant reduction mitigated by CSP reserves. PCC intent on CCTV reductions negotiations ongoing. PCC developing new priorities around CSE, Trafficking and genital mutilation	
P3	01/04/2013	CDC	CR	KL	CDC Local Strategic Partnership	Failure or reduced effectiveness of the partnership could lead to: • Key partners adopting policies or projects inconsistent with each other, • Opportunities being missed for effective partnership working • Existing LSP sponsored projects failing to deliver their objectives Any of the above could result in wasted resources and reputational damage to the council and the partnership	Political / Social / Economic	3	3	9	Forward priorities to be agreed		Annual self assessment of performance (annual report) Annual "Reference Group" conference to report to and gain guidance from the wider community CDC officer time dedicated to servicing the partnership and maintaining links between partners	2	3	6	5 Key Priorities agreed	Reference Group	Forward priorities agreed based on reference Group outcomes. Risks reviewed, no change to ratings.	
P4	01/04/2013	CDC	CR		CDC Community Safety Partnership	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation	Political / Social / Economic	3	3	9	CSCP meetings on-going chaired by deputy Leader. Strategy updated to reflect PCC policing plan.		CSCP effective meetings, Elected member representation at district and county groups, Continued support of JATAC, CSCP strategy, CSCP action plan compliance.	2	2	4	CSCP meeting quarterly, funding secured 2014-15 OSCB CSEplan adopted PCC priorities met	PCC / OCC to audit spending, CSP reports to OSCP an subject to CDC,PCC and PCP scrutiny	Risk reviewed, actions updated no change to risk rating.	
P5	01/04/2013	CDC	AC		Oxfordshire LEP	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16			Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12			CDC contributing to development of the SEP. Close liaison continues No changes to risk rating.	
P6	01/04/2013	CDC	EP		Oxfordshire Waste Management Partnership	Financial arrangements exist to regulate funds flowing between the collection authorities in Oxfordshire and the disposal authority (Oxfordshire County Council). These are legally binding. However Oxfordshire County Council have indicated that they are not prepared to continue all these payments (landfill diversion payments) in the future, indicating from April 2013. This could threaten the future of the Oxfordshire Waste Partnership.	Political / Social / Economic	4	4	16	An agreement on flow of funding has been made - reduction in landfill diversion payments commence from April 2014 , falling by 25% each year until 2017. The payments are no longer linked to performance		Working with other collection authority partners. The County Council has one vote, the collection authorities have five. Full participation in the partnership to address any moves made by the County Council to reduce payments. The County Council could walk away from the partnership which would mean the County Council would only pay recycling credits. However this is unlikely. The chair of the OWP has moved from Oxfordshire County Council to South Oxfordshire from May 2012	2	3	6			Oxfordshire County Council indicating that they no longer wish being in the Oxfordshire Waste Partnership from April 2015. Oxfordshire County Council fund 50% of the partnership.	

Ref No	Date risk added	SNC or CDC	Owner	Updater	Risk Name	Risk Description	Type of Risk/Opportunity	Inherent Probability	Inherent Impact	Gross Risk	Planned Mitigating Actions	Due Date	Controls in Place	Residual Probability	Residual Impact	Net Risk	Update on Actions	Assurance	Review Q3	Date Closed If applicable	
P7	01/04/2013	Common	CR		Health and Wellbeing Partnerships/Boards	Failure of the new partnership arrangements results in the councils not being able to meet its safe and healthy objectives.	Political / Social / Economic	3	3	9	Shadow boards have become functioning boards during this quarter. Structures and relationships have become clearer and working groups are being established. Priorities have been agreed for localities.		Engagement with CC structures. NB The structures are different in each county. Oxfordshire has a clear structure and acknowledges the need for the DC's direct contribution. However, greater Supporting People budget risk exists which is of more relevance to CDC. SNC engagement has commenced but there is a reliance on each District to set up its local forum with no clear guidance on the contribution mechanism of that to the county structure.	3	3	9	Board and Locality Forum both meet quarterly. Healthier Northamptonshire programme has been set up to support priorities. Increased focus on integration of Health and Social Services and on Transitional funding.	Spending in localities is determined by the Board. There is limited opportunity for Districts to directly influence.	Concerns to highlight the lack of communication between the Board and the Local Fora have been raised. Forum is picking up on local priorities including welfare reform, road deaths & ageing population. Risks reviewed, actions updated, no change to rating.		
P8	01/04/2013	Common	AC		South Midlands LEP	The partnership doesn't add value to the work of the councils, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda.	Political / Social / Economic	4	4	16			Partnership Work Programme / Forward Plan, Resource provision for Partnership work, Senior management and Member Involvement	3	4	12			Close liaison and extensive engagement continues with Board members representation.	Participation in the development of the SEMLEP strategy and services by officers at all levels. Current areas of development include the EU Strategy and SEP with SNC leading on the development of the Logistics Strategy for SEMLEP. 14 project bids lodged involving SNC and CDC.	
P9	01/04/2013	SNC	AC		SNC Joint Planning Unit (JPU)	Failure to effectively manage the council's partnership with the JPU results in a failure to adopt a sound local plan. This relates to strategic risk s10 as without a sound local plan the long term strategic objectives of the council will be jeopardised and there is a potential negative impact on the council's reputation.	Political / Social / Economic	4	4	16			Partnership governance arrangements in place Working groups to support technical issues are in place (with both member and officer input) Retained QC for legal advice	3	3	9			Risk reviewed, no changes to risk ratings		

This page is intentionally left blank

Quarter 2 : Risk Heat Map (inherent risk)

Impact		Remote	Unlikely	Possible	Probable	Highly Probable
	Catastrophic	5	10	15	20 CDC Local Plan SHMA Business Continuity Health and Safety SNC Local Plan CDC Local Plan Policy and Legislative Change Moat Lane Regeneration	25 SNC HS2
	Major	4	8	12 Bicester Town Centre Emergency Planning Capital Investment Moat Lane	16 SNC JPU South Midlands LEP CDC OWP Member Decision Making Managing Data Corporate Fraud CDC ICT loss of systems SNC ICT Loss of systems Horton Hospital Oxfordshire LEP Equalities Communications Silverstone Master Plan SNC Changes to waste collection Bicester Eco Town Financial Resilience Managing Growth	20 SNC Organisational Change CDC Major Planning Aps Joint Working
	Moderate	3	6	9 Health and Wellbeing Boards CDC Community Safety Partnership CDC LSP Policing and Crime Commissioner SNC Community Safety Partnership CDC BFIB	12 Customer Service Moat Lane Stage 1	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5

Likelihood

	Remote	Unlikely	Possible	Probable	Highly Probable
Catastrophic	5	10	15 ⇔ Health and Safety	20	25
Major	4 ⇔ Policy and Legislative Change ⇔ Financial Resilience ⇔ Corporate Fraud ⇔ Member Decision Making ⇔ Emergency Planning	8 ⇔ Moat Lane Regeneration ⇔ SNC Local Plan ⇔ CDC Local Plan ⇔ CDC Horton Hospital ⇔ SNC Organisational Change ⇔ Joint Working ⇔ Oxfordshire LEP ⇔ South Midlands LEP ⇔ CDC Local Plan SHMA ⇔ SNC ICT loss of systems ⇔ CDC Major Planning Aps	12	16 ⇔ SNC HS2	20
Moderate	3 ⇔ Capital Investment ⇔ Silverstone Master Plan ⇔ CDC BFiB ⇔ CDC LSP ⇔ CDC OWP ⇔ SNC Changes to waste collection	6 ⇔ Managing Growth ⇔ Customer Service ⇔ North West Bicester ⇔ Bicester Town Centre ⇔ CDC ICT loss of systems ⇔ Managing Data ⇔ Communications ⇔ Health and Wellbeing Boards ⇔ SNC JPU	9	12 ⇔ Business Continuity ⇔ Equalities ⇔ Moat Lane Stage 1 ⇔ Moat Lane ⇔ Archaeological works	15
Minor	2 ⇔ SNC Community Safety Partnership ⇔ CDC Community Safety Partnership ⇔ Policing and Crime Commissioner	4	6	8	10
Insignificant	1	2	3	4	5

Quarter 3 : Risk Heat Map (inherent risk)

Impact		Remote	Unlikely	Possible	Probable	Highly Probable
	Catastrophic	5	10	15	20 CDC Local Plan SHMA Business Continuity Health and Safety SNC Local Plan CDC Local Plan Policy and Legislative Change Moat Lane Regeneration	25 SNC HS2
	Major	4	8	12 Bicester Town Centre Emergency Planning Capital Investment Moat Lane	16 SNC JPU South Midlands LEP CDC OWP Member Decision Making Managing Data Corporate Fraud CDC ICT loss of systems SNC ICT Loss of systems Horton Hospital Oxfordshire LEP Equalities Communications Silverstone Master Plan SNC Changes to waste collection Bicester Eco Town Financial Resilience Managing Growth	20 SNC Organisational Change CDC Major Planning Aps Joint Working
	Moderate	3	6	9 Health and Wellbeing Boards CDC Community Safety Partnership CDC LSP Policing and Crime Commissioner SNC Community Safety Partnership CDC BFIB	12 Customer Service Moat Lane Stage 1	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5

Likelihood

	Remote	Unlikely	Possible	Probable	Highly Probable
Catastrophic	5	10	15 ⇔ Health and Safety	20	25
Major	4	8 ⇔ Policy and Legislative Change ⇔ Financial Resilience ⇔ Corporate Fraud ⇔ Member Decision Making ⇔ Emergency Planning	12 ⇔ SNC Local Plan ⇔ CDC Local Plan ⇔ CDC Horton Hospital ⇔ SNC Organisational Change ⇔ Joint Working ⇔ Oxfordshire LEP ⇔ South Midlands LEP ⇔ CDC Local Plan SHMA ⇔ SNC ICT loss of systems ⇔ CDC Major Planning Aps	16 ⇔ SNC HS2	20
Moderate	3	6 ⇔ Capital Investment ⇔ CDC BFiB ⇔ CDC LSP ⇔ CDC OWP ⇔ SNC Changes to waste collection ⇔ Managing Growth	9 ⇔ Customer Service ⇔ North West Bicester ⇔ Bicester Town Centre ⇔ CDC ICT loss of systems ⇔ Managing Data ⇔ Communications ⇔ Health and Wellbeing Boards ⇔ SNC JPU ⇔ Moat Lane Regeneration	12 ⇔ Business Continuity ⇔ Equalities	15
Minor	2	4 ⇔ SNC Community Safety Partnership ⇔ CDC Community Safety Partnership ⇔ Policing and Crime Commissioner ⇔ Silverstone Master Plan	6	8	10
Insignificant	1	2 ⇔ Moat Lane Stage 1	3	4	5

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Use of Purchase Orders

Report of Interim Head of Finance and Procurement

This report is public

Purpose of report

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the Council's use of Purchase Orders.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report on the progress the Council is making to improve the use of purchase orders.

2.0 Introduction

The Annual Governance Statement was presented to Accounts, Audit and Risk Committee on 26 June 2013. This included one high risk issue around the use of purchase orders:

The Council faces an extremely challenging year in 2012-13 as it seeks to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The following represent the key issue to be addressed in relation to one significant governance issues:

No.	Issue	Action taken
1	Creditors One high risk issue was noted relating to non-purchase orders. PwC audit showed that no purchase order was in place for 77% of invoices received in year. Performance in this area	Whilst progress has been made in this area as a result of it being a significant issue in last year's report – it is still not at a satisfactory level. An action plan has been developed to improve the use of purchase orders and we will

<p>is comparable to prior year (83%). If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to fully monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.</p>	<p>also implement a no purchase order no payment policy from June 2013.</p> <p>This action plan will be monitored throughout the year.</p>
---	--

3.0 Report Details

3.1 We implemented the “no purchase order no payment policy” in June. This shows an improving trend since the PwC internal audit report at the end of 2012-13. Our purchase order statistics are currently:

Month	Order	Non Order	% Success
April	201	450	31%
May	153	561	21%
June	313	260	55%
July	339	261	57%
August	342	179	66%
September	314	258	55%
October	407	291	58%
November	460	199	70%
December	450	194	70%

In addition, finance staff have reviewed the performance for each Head of Service area to help target training. Environmental Services depot uses the Roadbase system to record all their orders/invoices. However, this is a separate system and the purchase order function is not compatible with the purchase order function of the financial information system (currently Agresso). The need for this interface will be pursued when the financial information system is replaced. Roadbase accounts for 14% of invoices and excluding these orders, gives the following statistics:

	Order	Non Order	% Success
April	201	401	33%
May	153	458	25%
June	313	161	66%
July	339	173	66%
August	342	94	78%
September	314	170	65%
October	407	197	67%
November	460	116	80%
December	450	97	82%

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Accounts, Audit and Risk Committee is recommended to note the contents of the report on the progress the Council is making to improve the use of purchase orders.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not applicable as this report is for information.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law & Governance 0300 0030107
Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

Not applicable

Links to Corporate Plan and Policy Framework

Not applicable

Lead Councillor

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
None	
None	
Report Author	Tim Madden, Interim Head of Finance & Procurement Denise Taylor, Corporate Accountant
Contact Information	Denise.Taylor@Cherwellandsouthnorthants.gov.uk 01295 221982

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Design & Operation of the IT General Controls within Agresso

Report of the Head of Finance and Procurement

This report is public

Purpose of report

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the external auditor's work around the IT controls within Agresso.

1.0 Recommendations

The meeting is recommended

- 1.1 To note the contents of the report.

2.0 Introduction

The Annual Audit Letter was presented by Ernst Young (EY) to AARC Members on 4 December 2013. The external auditor "gained adequate assurance" over the design and operation of the IT general controls within the Council's general ledger system (Agresso).

However, the Annual Audit Letter identified opportunities for improvements to logical access control as these would reduce the risk of unauthorised or inappropriate access to data and programmes within Agresso.

Members of the Committee asked for details of EY's findings and they have been summarised below.

3.0 Report Details

- 3.1

Description	Improvements identified
-------------	-------------------------

Review of Agresso Administrator Access	There are currently 11 active accounts which have been reviewed to gain assurance that no inappropriate or unauthorised activity is performed which may adversely impact the financial statements.
Implement periodic user access reviews	To implement a periodic review of appropriate user access to assist with the identification of inappropriate access and potential segregation of duty conflicts.
Strengthen the password parameters	The policy already in place has been reviewed and the password history has been increased from 3 to 6 historical passwords being remembered.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Accounts, Audit and Risk Committee is recommended to note the contents of the report.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not applicable as this report is for information.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law & Governance 0300 0030107
Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 There are no risk management implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

Not applicable

Links to Corporate Plan and Policy Framework

Not applicable

Lead Councillor

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	Tim Madden, Interim Head of Finance & Procurement Denise Taylor, Corporate Accountant
Contact Information	Denise.Taylor@Cherwellandsouthnorthants.gov.uk 01295 221982

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

<p>External Audit: Annual Audit Plan 2013-14 and Grants Certification Annual Report 2012-13</p>
--

Report of Interim Head of Finance and Procurement

This report is public

Purpose of report

To receive Ernst Young's reports: setting out external audit's Annual Audit Plan 2013-14; and summarising external audit's certification work on grants claims for 2012-13.

1.0 Recommendations

The meeting is recommended

- 1.1 To note the contents of Ernst Young's reports.

2.0 Introduction

- 2.1 Attached at Appendix 1 and 2 are the Fee Letter and Annual Audit Plan outlining the external auditor's proposed audit work for 2013-14.
- 2.2 The Annual Certification report is attached in Appendix 3. It reports the results of the external auditor's work on two grants claims for 2012-13: Housing and Council Tax Benefit; and National Non Domestic Rates (NNDR).

3.0 Report Details

- 3.1 External Audit undertakes its work in line with the Audit Commission's Code of Audit Practice. The Audit Plan sets out the work that will be delivered during the year.
- 3.2 The Housing and Council Tax Benefit audit identified adjustments to the claim but none of these had an impact on benefit subsidy (claim value £44.5m). The NNDR audit identified amendments to the claim (claim value £63.7m) and these amendments increased the contribution to the Pool by £60,405. The action plan has been completed to address the recommendations identified by external audit.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Annual Audit Plan sets out the proposed work that External Audit will undertake for 2013-14. The Grant Certification Report summarises the key issues from External Audit's grants work during 2012-13.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To request further information from the External Auditor.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Nicola Jackson, Corporate Finance Manager, 01295 221731

Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by:

Kevin Lane, Head of Law & Governance 0300 0030107

Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 There are no risk management implications arising directly from any outcome of this report.

Comments checked by:

Nicola Jackson, Corporate Finance Manager, 01295 221731

Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Audit Fee Letter 2013-14
Appendix 2	Annual Audit Plan 2013-14
Appendix 3	Certification and Claims Report 2012-13
Background Papers	
None	
Report Author	Tim Madden Interim Head of Finance and Procurement
Contact Information	Tim.Madden@Cherwellandsouthnorthants.gov.uk 0300 003 0106

This page is intentionally left blank

Sue Smith
Chief Executive
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

12 April 2013

Ref: CDC/Fee letter 2013/14
Direct line: 07769 932604
Email: mgrindley@uk.ey.com

Dear Sue

Cherwell District Council
Audit and certification fees 2013-14

We are writing to confirm the 2013-14 audit and certification work we propose to undertake. The 2013-14 fees reflect the risk-based approach promoted by the Audit Commission for audit and certification work.

Planned audit fee

The audit fee covers the work we perform to provide our:

- ▶ Opinion on the financial statements
- ▶ Value for money conclusion
- ▶ Report to the National Audit Office on the Whole of Government Accounts

The Audit Commission has set scales of fees as part of its five year procurement exercise. It has indicated scale fees are not liable to increase in that period unless there is a change in scope. For 2013-14 the Audit Commission has set a scale fee for each audited body. The scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements, Whole of Government Accounts and proper arrangements is not significantly different from that of the prior year
- ▶ Reliance can be placed on the work of internal audit to the maximum extent possible under auditing standards
- ▶ The financial statements will be available in line with the agreed timetable
- ▶ Working papers and records provided in support of the financial statements are of a good quality and are provided in line with agreed timetable
- ▶ Prompt responses are provided to draft audit reports

Meeting these assumptions will help ensure the delivery of an audit at the audit scale fee.

We have set the planned audit fee at the scale fee level which assumes the overall level of risk is not significantly different from that of 2012-13. The 2012-13 audit is in progress. We will update our risk assessment and undertake more detailed planning for the 2013-14 audit after we complete the 2012-13 audit.

Certification fee

The Audit Commission has set a composite indicative fee for certification work for each audited body. The indicative fee is based on actual 2011-12 certification fees adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction.

The composite indicative fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

The indicative certification fee for 2013-14 relates to work on grant claims and returns for the year ended 31 March 2014. We have set the certification fee at the composite indicative fee level which assumes the same level of work on claims and returns as 2011-12. We will update our risk assessment after we complete 2012-13 certification work and to reflect further changes in the Audit Commission's certification arrangements.

Summary of fees

	Planned fee 2013-14 £	Planned fee 2012-13 £	Actual fee 2011-12 £
Code audit fees	68,603	68,603	114,338
Certification fees	13,400	19,800	22,881
Non-audit work	0	0	1,756

The planned audit and certification fees will be billed in quarterly instalments of £20,501.

Any additional work we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Audit plan

We will issue our 2013-14 audit plan for the audit of the financial statements, Whole of Government Accounts and proper arrangements in November 2013. This will detail the financial statement and value for money conclusion risks identified, planned audit procedures to respond to those risks, and any changes in fee. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Martin Henry, Strategic Director of Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Accounts, Audit and Risk Committee.

Audit team

The key members of the audit team for 2013-14 are:

Maria Grindley Director	Email address mgrindley@uk.ey.com	Tel: 07769 932 604
----------------------------	--------------------------------------	--------------------

Alastair Rankine Manager	Email address arankine@uk.ey.com	Tel: 07765 897 349
-----------------------------	-------------------------------------	--------------------

David Guest Executive	Email address dguest@uk.ey.com	Tel: 07867 152 507
--------------------------	-----------------------------------	--------------------

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully



Maria Grindley
Director
Ernst & Young LLP
United Kingdom

cc. Councillor Trevor Stevens, Chairman of Accounts, Audit and Risk Committee
Martin Henry, Strategic Director of Resources

This page is intentionally left blank

Cherwell District Council

Audit Planning Board Report 2013-14

January 2014

Ernst & Young LLP



The Members of the Accounts, Audit and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury OX15 4AA

08 January 2014

Ref:

Direct line: 07881 518875

Email: mwest@uk.ey.com

Dear Member

Audit Planning Board Report 2013-14

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. The purpose of this report is to provide the Accounts, Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2013-14 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, and also to ensure that our audit is in line with the Committee's expectations.

This report summarises our assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response.

We welcome the opportunity to discuss this report with you on 22 January 2014 and understand any other matters which you consider may influence our audit.

Yours faithfully



Mick West
Audit Director
For and behalf of Ernst & Young LLP

Enc

Contents

1. Overview	1
2. Financial statement risks	4
3. Economy, efficiency and effectiveness	5
4. Certification work.....	8
5. Our audit process and strategy.....	9
6. Independence.....	13
Appendix A Fees.....	15
Appendix B UK required communications with those charged with governance	16

1. Overview

1.1 Context for the audit

This audit plan covers the work we plan to perform, to provide the Council with:

- ▶ An audit opinion on whether the financial statements of Cherwell District Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended
- ▶ A conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (the value for money conclusion)

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements and value for money conclusion
- ▶ Developments in financial reporting and auditing standards
- ▶ The quality of systems and processes
- ▶ Changes in the business and regulatory environment
- ▶ Management's views on all of the above

This enables us to focus our audit on the areas that matter. By focusing on these, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In parts 2 and 3 of this report we provide more detail on our assessment of the risks that we reach the wrong opinion or value for money conclusion. In part 4 we provide detail of the certification work. Details of our audit process and strategy are set out in more detail in section 5, and summarised below.

As part of our planning we identified two risks to the audit of the financial statements and one significant risk for the value for money conclusion on the Council's use of resources and a further two other risks.

Financial statements – risks

- ▶ Misstatement due to fraud or error - this is an inherent risk due to the nature of local authority finances and ever increasing pressures on management to achieve financial targets.
- ▶ Implementation of a new payroll system - there are inherent risks associated with the migration of payroll data which could result in errors and misclassifications of payroll costs.

Value for money conclusion – significant risk

- ▶ Management of capital projects - the Council manages a substantial capital programme, including a number of high profile capital schemes. Failure to deliver these projects within budget and on time could result in loss of economic benefit, reputational damage to the Council and a failure to secure value for money.

Value for money conclusion – other risks

- ▶ Financial resilience - with the ongoing economic climate and tighter local government financial settlement, the pressure on financial resources continues to increase. The Council acknowledges that these pressures will adversely impact on its medium term financial plans and are likely to lead to difficult decisions in later years.
- ▶ Delivering services - in view of the pressure on the Council’s finances the delivery of value for money through its income and expenditure becomes ever more important. Failure to do so will intensify the financial pressures that the Council faces and could ultimately lead to reduced services.

We will provide an update to the Accounts, Audit and Risk Committee on the results of our work in these areas in our annual results report in September 2014.

1.2 Our process and strategy

1.2.1 Financial statement audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council’s level of gross expenditure. We also consider the size of useable reserves, the Council’s financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

We aim to rely on the Council’s internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on Internal Audit’s testing of those controls. Where control failures are identified we consider the most appropriate steps to take.

We seek to place reliance on the work of Internal Audit wherever possible. We have liaised with Internal Audit and will commence our review and re-performance of their in February 2014.

There has been no change to the scope of our audit compared to previous audits.

1.2.2 Arrangements for securing economy, efficiency and effectiveness (value for money conclusion)

For 2013-14, the Audit Commission requires council auditors to give a value for money conclusion based on two specified criteria

Specified criteria for auditor’s conclusion

<p>The organisation has proper arrangements in place for securing financial resilience.</p>	<p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>
---	---

Focus of the criteria

<p>The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>
--	--

Auditors are required to determine a local programme of value for money audit work based on their value for money risk assessment, informed by these criteria and their responsibilities under the Code.

We adopt an integrated audit approach such that our work on the financial statements audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Our work will therefore focus on whether there are proper arrangements in place:

- ▶ To secure financial resilience
- ▶ To challenge how economy, efficiency and effectiveness in the use of resources is secured

We will meet our value for money duty by:

- ▶ Performing a risk assessment at the planning stage
- ▶ Reviewing arrangements for characteristics of proper arrangements for the criteria
- ▶ Performing any additional risk-based work necessary to discharge our value for money conclusion responsibilities
- ▶ Performing a risk assessment at the conclusion of the audit.

1.2.3 Certification work

Certification work is prescribed by the Audit Commission in certification instructions. We adopt a risk based approach and rely on internal controls, internal audit work and benefits staff testing to the fullest extent possible.

2. Financial statement risks

We outline below our assessment of the financial statement risks facing Cherwell District Council, identified through our knowledge of your operations and discussion with members and officers. We assess the impact on our audit approach and set out below the key areas of focus for our audit of the financial statements. A significant risk is an identified assessed risk of material misstatement that, in an auditor’s judgement, requires special audit consideration. We identified no significant risks and two financial statement risks.

Financial statement risks (including fraud risks)	Our audit approach
<p>Risk of misstatement due to fraud and error</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.</p> <p>As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks ▶ Understanding the oversight given by the Accounts, Audit and Risk Committee, as those charged with governance, of management’s processes over fraud ▶ Consideration of the effectiveness of management’s controls designed to address the risk of fraud ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks <p>We will consider the results of the National Fraud Initiative and may make reference to it in our reporting</p>
<p>Payroll system</p> <p>The Council transferred its payroll system from Chris 21 to Resource Link as from 1 October 2013.</p> <p>The business case was to move to a common payroll system for both Cherwell and South Northamptonshire Council.</p> <p>Because Resource Link is already in place and operating in South Northamptonshire Council, the risks associated with the new system implementation are reduced as there are existing procedures and controls in place.</p> <p>However, there are inherent risks associated with the migration of data. The changeover needs to preserve the integrity of the data transferred to the new system to avoid errors and misclassifications of payroll costs.</p>	<p>We require assurances that the Council has managed the migration of data effectively and this has not given rise to a material misstatement in payroll costs. Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ The change over and implementation process ▶ The results of work by Internal Audit to test the accuracy and completeness of the data ▶ Post implementation review of the process ▶ Management review of payroll budgets.

3. Economy, efficiency and effectiveness (value for money conclusion)

Our initial work includes:

- ▶ Discussions with officers
- ▶ Discussions with Internal Audit
- ▶ Reviewing reports and minutes
- ▶ Reviewing the risk register
- ▶ Our financial statements audit planning
- ▶ Attending the Accounts, Audit and Risk Committee

At the date of this report we have identified one significant risk. This is a risk that would require specific risk-based work to ensure we can issue a safe value for money conclusion. We have identified the two further key areas that we will consider to support our value for money conclusion:

Significant risks	Impacts arrangements for securing:	Our audit approach
Capital Projects		
<p>The Council manages a substantial capital programme, planned at some £17m in 2013-14.</p> <p>Within the programme there are a number of large capital schemes, of which the Bicester Regeneration ranks as one of the most significant.</p> <p>It is a major initiative requiring a high level of skills and expertise. In recognition of this the Council has appointed a dedicated Director (Bicester).</p> <p>As well as being able to demonstrate that the deployment of capital resources secure value for money, the successful deliver of these key projects are essential for regeneration within the district and its economic recovery.</p> <p>Failure to deliver these projects on time and within budget risks the loss of economic benefit and a failure to secure value for money.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on reviewing:</p> <ul style="list-style-type: none"> ▶ The Council's arrangements for managing the capital programme ▶ The arrangements established to manage deliver of the Bicester Regeneration <p>We will also place reliance where possible on the work of Internal Audit; including the planned review of programme management.</p>

Other risks	Impacts arrangements for securing:	Our audit approach
Financial resilience		
<p>The Council has a good track record of financial management but its 2013-14 position is tight. At the end of quarter two, the Council projected a £330,000 overspend for the year mainly due to demand led service pressures and reduced recycling and commercial rent income.</p> <p>Management plans to address these pressures but to the extent they are not addressed, the Council will meet the overspend from reserves and balances.</p> <p>The Council's investment performance (some £68m as at 30 September 2013) is on target overall although externally managed investments are under-performing against budget. Only £150,000 of budgeted investment income is required for revenue purposes with £400,000 earmarked for capital projects</p> <p>We will continue to monitor the 2013-14 revenue position and review the year end outturn.</p> <p>In the ongoing economic climate and tighter local government financial settlement, the pressure of financial resources is increasing. The Council's budget strategy report to the Executive dated 7 October 2013 warned that the Council may therefore face difficult decisions in later years in order to sustain a balanced budget over the medium term.</p> <p>Medium term financial plans have identified the need for £4.8m of savings over the next 5 years in order to sustain a balanced budget . .</p> <p>At the date of this report the Council has not published its refreshed Medium Term Financial Strategy (MTFS) showing how it intends to bridge this funding gap although we understand that plans have been prepared.</p> <p>The Council should seek assurance that the delayed approval of the MTFS is not due to capacity constraints and ensure that its medium term financial plans are communicated as a priority.</p>	Financial resilience	<p>Our approach will focus on reviewing:</p> <ul style="list-style-type: none"> ▶ The achievement of the planned savings in 2013-14 ▶ The Council's medium term financial plans ▶ The impact of 2013-14 overspends on future financial plans ▶ The substance of savings plans <p>We will place reliance on the work of IA to gain assurances that budgetary control procedures are operating effectively</p>

Delivering services

Given the pressure on the Council's finances the delivery of value for money through its expenditure becomes ever more important.

In its business plan the Council has pledged to be an accessible, value for money authority and there is clear evidence that it is pursuing a range of initiatives and strategies designed to deliver its services more efficiently.

For example, the Council has produced a joint corporate procurement strategy in collaboration with neighbouring authorities to achieve savings in procurement costs. The strategy is seen by the Council as having a fundamental role in helping it reduce its services budget and protect front line services within the envelope of reduced government funding.

The Council is also expanding its collaborative working with other councils.

Maintaining service delivery and outcomes and doing more for less in the current financial climate presents a significant challenge.

Economy, efficiency and effectiveness
Financial resilience

Our approach will focus on:

- ▶ Reviewing the Audit Commission's VFM profiles to assess comparative performance in key service areas
- ▶ Assessing the extent to which the joint procurement programme is delivering outcomes as intended

We will place reliance on the IA review of performance management in coming to our conclusion.

4. Certification work

Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions. Certification work is not an audit.

The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body. Broadly for claims and returns:

- ▶ Below £125,000 - we carry out no work
- ▶ From £125,000 and £500,000 – we undertake limited tests to agree form entries to underlying records, but do not test the expenditure or data is eligible
- ▶ Over £500,000 - we plan and perform our work following the certification instruction. We assess the control environment for preparing the claim or return and decide how much we can rely on the controls. Based on our assessment, we tailor our approach to agree form entries to underlying records and test the expenditure or data is eligible.

We are planning to carry out certification work for the:

- ▶ Housing benefit scheme – based on previous experience we expect to carry out limited extended testing known as 40+ testing.

Where possible we integrate our certification work with our opinion and other work. We also aim to rely on the work of internal audit and benefits staff where possible.

We will report to the Accounts, Audit and Risk Committee the results of our certification work.

The Audit Commission has set a composite indicative fee for certification work for each body. The indicative fee is based on actual certification fees for 2011-12 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction.

The indicative fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the Code), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources

We issue a two-part audit report covering both of these objectives.

5.1.1 Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland). We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Whole of Government Accounts return

5.1.2 Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's 2013-14 corporate performance management and financial management arrangements we have regard to the criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

5.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Review and re-performance of the work of Internal Audit
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts for pensions and property valuations
- ▶ Substantive tests of detail of transactions and amounts

Processes

Our assessment across the Council has identified the following key processes where we will seek to test key controls:

- ▶ Financial accounts closedown

- ▶ Accounts receivable
- ▶ Accounts payable
- ▶ Cash processing
- ▶ Payroll (and pensions)
- ▶ Parking income
- ▶ Council tax income
- ▶ Business rates income
- ▶ Housing benefits and council tax benefits

We will carry out substantive testing on property, plant and equipment, investments, and cash balances as the most efficient testing approach for these processes.

Financial closedown of accounts

The closedown of the Council's 2012/13 accounts was delivered successfully last year and we commended the Council's performance. We have discussed with the finance team how the process could be improved still further and this would include reducing the elapsed time between the initiation and completion of our audit work. This would enable us to conclude on our findings earlier and would benefit the Council as finance staff would be preoccupied on audit queries for a shorter time.

We will continue to liaise with your finance staff to identify better ways of working together. We will also seek to bring audit work forward as possible and to identify where substantive procedures can be carried out at the interim stage. Possible examples are early journal testing; testing of capital expenditure; substantive analytical review of key account lines at an interim point in the year.

5.2.1 Analytics

We aim to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll and journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Accounts, Audit and Risk Committee.

5.2.2 Internal Audit

We will review Internal Audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements or the value for money conclusion.

5.2.3 Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements.

5.2.4 Other procedures

We have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline as follows the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error
- ▶ Significant disclosures included in the financial statements
- ▶ Entity-wide controls
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements
- ▶ Auditor independence

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

5.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with the Council's expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are 'clearly trivial'. All uncorrected misstatements found above this level will be presented in our year-end report.

5.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Cherwell District Council is £68,803, together with an estimated fee of £13,400 for the certification of claims and returns.

5.5 Your audit team

The engagement team is led by Mick West who has significant public sector audit experience. Mick West replaces your previous engagement lead, Maria Grindley who stands down on rotation. Mick West is supported by Alastair Rankine who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Finance and Procurement.

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money conclusion work and the Whole of Government Accounts; and the deliverables we have agreed to provide through 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Accounts, Audit and Risk Committee in June and September 2014 incorporating the outputs from the interim audit and our year-end procedures respectively. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Accounts, Audit and Risk Committee timetable	Deliverables
High level planning:	November-December 2013		
Risk assessment and setting of scopes	22 January 2014	Accounts, Audit and Risk Committee	Audit Plan
Testing of routine processes and controls	February - March		
	June	Accounts, Audit and Risk Committee	Interim results report
Year-end audit including WGA	July - September	Accounts, Audit and Risk Committee	Report to those charged with governance Auditor's report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit report on the WGA Audit completion certificate
Reporting on the audit	October		Annual audit letter
Benefit claim	May – November		Certified claim
Reporting on certification work	December		Annual certification work report

6. Independence

6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us. ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review. ▶ The overall assessment of threats and safeguards. ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. ▶ Details of non-audit services provided and the fees charged in relation thereto. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

6.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

6.2.1 Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long – outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded for sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded for sales to you, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

6.2.2 Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self-review threats at the date of this report

6.2.3 Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work. There are no management threats at the date of this report

6.2.4 Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

6.2.5 Overall Assessment

Overall, we consider that the adopted safeguards appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mick West your audit engagement partner and the audit engagement team have not been compromised.

6.3 Other required communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm must publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

UK 2012 Transparency Report

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013-14 £'000	Actual Fee 2012-13 £'000
Total Audit Fee – Code work	68,603	68,603
Certification of claims and returns	13,400	19,800
Non-audit work		1,756

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables
- ▶ We are able to place reliance, as planned, on the work of Internal Audit
- ▶ The level of risk in relation to the audit of the financial statements is consistent with that in the prior year
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our value for money conclusion will be based
- ▶ Our financial statements opinion and value for money conclusion are unqualified
- ▶ Appropriate quality of documentation is provided by the audited body
- ▶ An effective control environment is in place
- ▶ We have no significant issues to report to the NAO on Whole of Government Accounts
- ▶ The level of work required for certification work is the same as 2011-12

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee

The fee for the certification of grant claims and returns is based on the indicative scale fee set by the Audit Commission. The Audit Commission has set a composite indicative fee for certification work for each body. The indicative fee is based on actual certification fees for 2011-12 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction.

Appendix B UK required communications with those charged with governance

There are certain communications we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Report to those charged with governance and annual audit letter
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the audited body and senior management ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the ethical standards ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Audit Plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance]</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Grant certification report</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Report to those charged with governance</p> <p>Grant certification report</p>

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is intentionally left blank

Cherwell District Council

Certification of claims and returns annual report 2012-13

January 2014

Ernst & Young LLP



The Members of the Audit, Accounts and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

13 January 2014

Direct line: +44 20 7951 2000
Email: m.grindley@uk.ey.com

Dear Member

Certification of claims and returns annual report 2012-13 Cherwell District Council

We are pleased to report on our certification work. This report summarises the results of our work on Cherwell Council's 2012-13 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified one claim and one return with a total value of £108,247,061. We met all submission deadlines. We issued qualification letters for both the claim and the return. Details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had only a minimal impact on the grant due.

There were no recommendations from last year that the Council was required to implement.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the Audit, Accounts and Risk Committee

Yours faithfully



Maria Grindley
Director
Ernst & Young LLP

Contents

1. Summary of 2012-13 certification work	1
2. 2012-13 certification fees.....	3
3. Looking forward.....	4
4. Summary of recommendations.....	5

1. Summary of 2012-13 certification work

We certified one claim and one return in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£44,503,668
Limited or full review	Full
Amended	Amended – no impact on subsidy
Qualification letter	Yes
Fee - 2012-13	£16,715
Fee - 2011-12	£22,105
Recommendations from 2011-12:	Findings in 2012-13
None	<p>40+ testing was completed very late in the process and close to the submission deadline due to lengthy elapsed time between the Council requesting reports from its service provider (Northgate) and the receipt of these reports. If further 40+ testing had been required, given the timescales involved, the Council would not have had the capacity to complete this by the deadline.</p> <p>To avoid this in future it is recommended that the Council liaise with its service provider (Northgate) to agree a shorter response time for the production of bespoke reports if required for extended 40+ testing.</p>

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out extended testing in one area.

Extended '40+' testing and other testing identified errors which the Council amended. They had no net impact on the claim. We have reported underpayments, and the extrapolated value of other errors to the DWP in a qualification letter. The following are the main issues included in our qualification letter:

Testing of our initial sample identified one case where the capital tariff was not updated resulting in an overpayment of benefit (value £33.37). Our additional testing identified one further error whereby dependent savings were incorrectly included in the capital tariff calculation and the error resulted in an underpayment. The claim has been amended on the basis of the extrapolated error for the overpayment.

Testing identified one case where the claimant's income was calculated incorrectly. This arose because the original assessment treated the claimant as having started work midway through the month of October when the start date was in fact the beginning of the month. The error resulted in an underpayment and no amendment was required to the claim.

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£63,743,393
Limited or full review	Full
Amended	Amended – contribution to the Pool increased by £60,405
Qualification letter	Yes
Fee – 2012-13	£3,085
Fee – 2011-12	£780
Recommendations from 2011-12:	Findings in 2012-13
None	No matters to report

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found errors on the national non-domestic rates return which resulted in the return being amended. The following are the main issues included in our qualification letter:

The council has provided certain information to support backdates and has provided verbal assurance that the necessary steps were taken to ensure the eligibility of these backdates. However, we have received insufficient evidence to provide the necessary assurance that these adjustments are valid or correctly calculated.

We are required to provide assurance that empty premises relief has been applied only to qualifying properties. In eight out of ten cases selected for testing, we found that the authority had not carried out inspections to confirm that the property was empty.

The Council should:

- ▶ Retain evidence in support of backdated adjustments;
- ▶ Ensure that void property inspections are carried out

We selected 10 cases for testing and four of the write offs were found to be in excess of the authorising officer's limit of £5,000 per the authority's write off policy and procedure. We reported this as an exception in our qualification letter but subsequently we were informed that the write-off of insolvency debt is covered by a general provision whereby delegated authority is granted to the Head of Finance without limit.

The Council's write off policy on insolvencies and bankruptcies should be reviewed and made explicit in the NNDR write off procedures to avoid ambiguity.

2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Cherwell District Council for 2012-13 was £19,800. The actual fee for 2012-13 was £19,800. This compares to a charge of £22,881 in 2011-12.

Claim or return	2011-12		2012-13	
	Actual fee £	2011-12 fee less 40% reduction	Indicative fee £	Actual fee £
Housing and council tax benefits subsidy claim	22,101	12,275	16,715	16,715
National non-domestic rates return ¹	780	486	3,085	3,085
Certification of claims and returns – annual report ²				
Total	22,881	13,728	19,800	19,800

¹ Increase in 2012/13 NNDR fee is due to additional Part B testing that was not required in 2011/12 but was in 2012/13

² Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £13,400. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:

[<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>]

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing and council tax benefits subsidy claim	High	These requests are ad hoc reports outside of the main contract. The delay arose due to internal resourcing issues at Northgate as a result of additional work arising from welfare reform.	30 Jan 2014	Service Assurance Team Leader
The Council should liaise with its service provider (Northgate) to agree a shorter response time for the production of bespoke reports if required for extended 40+ testing	High			
National non-domestic rates return	Medium			
The Council should:			30 Sept 2014	Service Assurance Technical Specialist – Revenues
<ul style="list-style-type: none"> ▶ Retain evidence in support of backdated adjustments; ▶ Ensure that void property inspections are carried out 		These were one off assessments for 2012-13 that related to MoD Bicester. Evidence will be retained in future. Void property inspections are undertaken with current resources available. This will be reviewed to look at the benefits of identifying additional resources and the positive financial impact that this might have on the Council.		Head of Finance and Procurement
The Council's write off policy on insolvencies and bankruptcies should be reviewed and made explicit in the NNDR write off procedures to avoid ambiguity	Medium	The Council's write off policy will be reviewed	30 Sept 2014	Head of Finance and Procurement

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Internal Audit – Progress Report

Report of Chief Internal Auditor

This report is public

Purpose of report

To receive PriceWaterhouseCooper's progress report summarising their internal audit work to date.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the progress report.

2.0 Introduction

- 2.1 Internal Audit undertakes its work in line with their Audit Plan issued June 2013.

3.0 Report Details

- 3.1 Internal Audit is on track to deliver its planned programme of work for the year.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The progress report summarises the progress of internal audit's work.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not applicable as this report is for information. However, members may wish to request further information from the Chief Internal Auditor.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law & Governance
0300 0030107 Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 There are no risk management implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	PriceWaterhouseCooper's Progress Report
Background Papers	
None	
Report Author	Nicola Jackson, Corporate Finance Manager
Contact Information	Nicola.Jackson@Cherwellandsouthnorthants.gov.uk 01295 221731

This page is intentionally left blank

Internal Audit Covering Letter

Update to the Accounts, Audit and
Risk Committee on Internal Audit
activity

Cherwell District
Council

January 2014

Introduction

We are committed to keeping the Audit Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the committee and to bring to your attention matters that are relevant to your responsibilities as members of the committee.

There have been no substantial changes since our last report to the Committee in December that we need to bring to your attention. We have started our housing benefits review on 6 January and have payroll and risk management reviews due to start 20 January. We continue to work with management in agreeing scope of reviews and plan to have final reports prepared over the coming month in relation to the reviews completed before the New Year. We have draft scopes to agree for the environmental services and grant reviews planned for February and remain on track for these reviews.

As agreed at the December Committee we have prepared our initial high level assessment against the new PSIAS for indication of initial expected compliance. Please refer to separate paper for full details.

We will bring a full update to the March Committee.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Public Sector Internal Audit Standards

Report of Chief Internal Auditor

This report is public

Purpose of report

To provide members with details of the new Public Sector Internal Audit Standards.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the content of this report and Appendix 1.

2.0 Introduction

- 2.1 From 1 April 2013, internal audit services in local government, central government and health sectors are required to be delivered in accordance with the new Public Sector Internal Audit Standards (PSIAS).
- 2.2 The PSIAS comprise the existing Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) together with additional public sector requirements, interpretations and definitions. The PSIAS replaces the CIPFA Code of Practice for Internal Audit in Local Government

3.0 Report Details

- 3.1 Appendix 1 maps the current arrangements against the PSIAS requirements and is an initial indication of anticipated compliance against these standards.

4.0 Conclusion and Reasons for Recommendations

- 4.1 It is recommended that members note the contents of the report which is submitted for information.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not applicable as this report is for information.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager

01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law & Governance 0300 0030107

Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager

01295 221731 Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

None

Links to Corporate Plan and Policy Framework

An accessible and value for money council

Lead Councillor

Councillor Ken Atack

Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Public Sector Internal Audit Standards
Background Papers	
None	
Report Author	Chris Dickens, Chief Internal Auditor
Contact Information	chris.dickens@uk.pwc.com

This page is intentionally left blank



Public Sector Internal Audit Standards (PSIAS)

From 1 April 2013, internal audit services in **local government, central government** and **health** sectors are required to be delivered in accordance with the new Public Sector Internal Audit Standards (PSIAS).

The PSIAS comprise the existing Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) together with additional public sector requirements, interpretations and definitions. The PSIAS replaced the following standards:

- Local Government - CIPFA Code of Practice for Internal Audit in Local Government
- Central Government - HM Treasury Government Internal Audit Standards (GIAS)
- Health – Department of Health NHS Internal Audit Standards

The Audit Committee requested an initial review against compliance with the new PSIAS that were effective 1 April 2013.

The following paper has been prepared that maps current arrangements against the PSIAS requirements and is an initial indication of anticipated compliance against these requirements. This does not constitute a formal assessment of compliance.

This assessment is not intended to be a comprehensive internal assessment or form the basis of any internal quality review but an initial review to assess anticipated overall compliance with the new PSIAS that were effective 1 April 2013.

Ref	Standard	Compliance	Evidence	Additional Comments
Code of Ethics	Public sector requirement Internal audits in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.		Covered by PwC Code of Conduct and other policies	
Code of Ethics	Public sector requirement Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk		Implicit in Code of Conduct.	Reference included in PwC planning activities
1000 Purpose, Authority and Responsibility	The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Audit, the Code of Ethics and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.		IA Charter	
	Public sector requirement The internal audit charter must also: Define the terms 'board' and 'senior management' for the purposes of internal audit activity; Cover the arrangements for appropriate resourcing; Define the role of internal audit in a in any fraud-related work; and Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.		IA Charter	
1000.A1	The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.		IA Charter	
1000.C1	The nature of consulting services must be defined in the internal audit charter.		IA Charter	
1010 Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	The mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards must be recognised in the internal audit charter.		IA Charter	
1100 Independence and Objectivity	The internal audit activity must be independent and internal auditors must be objective in performing their work.		Independence is confirmed for all staff who are assigned to work on the engagement	
1110 Organisational Independence	The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity. Public sector requirement The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.		Annual Report Update Reports (if applicable)	
1110.A1	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.		Annual Plan Reviews - Terms of Reference	
1111 Direct Interaction with the Board	The chief audit executive must communicate and interact directly with the board.		Annual Plan Annual Report	
1120 Individual Objectivity	Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.		Implicit in all Assignment Reports and Overall Annual Plan and Report	Independence confirmed from individuals on engagement
1130 Impairment to Independence or Objectivity	If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.		Annual Plan	Risk Assessment
1130.A1	Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.		N/A - PwC external firm and are independent function	Previous employment is considered in annual planning activities
1130.A2	Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.		N/A - PwC external firm and are independent function	
1130.C2	If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement. Public sector requirement: Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.		N/A - Any independence issues would be reported, resolved and approved prior to accepting engagement.	Any Value Enhancement work is included in Annual Plan
1200 Proficiency and Due Professional Care	Engagement must be performed with proficiency and due professional care.		Confirmed. Engagement Terms of Reference and Reports.	
1210 Proficiency	Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities Public sector requirement: The chief audit executive must hold a professional qualification (CMAA, CCAB or equivalent) and be suitably experienced.		Confirmed implicit in Engagement Terms of Reference and Reports. Confirmed.	Assessed at planning and each review
1210.A1	The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1210.A2	Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.		Confirmed implicit in Engagement Terms of Reference and Reports.	

1210.A3	Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.		Confirmed implicit in Engagement Terms of Reference and Reports.	Use of IT specialists where appropriate.
1210.C1	The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1220 Due Professional Care	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1220.A1	Internal auditors must exercise due professional care by considering the: Extent of work needed to achieve the engagement's objectives; Relative complexity, materiality or significance of matters to which assurance procedures are applied; Adequacy and effectiveness of governance, risk management and control processes; Probability of significant errors, fraud or non-compliance; and Cost of assurance in relation to potential benefits.		Confirmed implicit in Engagement Terms of Reference and Reports.	
1220.A2	In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.		Confirmed implicit in Engagement Terms of Reference and Reports.	Use of IT specialists where appropriate.
1220.A3	Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.		Implicit in Engagement Terms of Reference, Internal Methodology and Reporting	
1220.C1	Internal auditors must exercise due professional care during a consulting engagement by considering the: Needs and expectations of clients, including the nature, timing and communication of engagement results; Relative complexity and extent of work needed to achieve the engagement's objectives; and Cost of the consulting engagement in relation to potential benefits.		Implicit in Engagement Terms of Reference, Internal Methodology and Reporting	
1230 Continuing Professional Development	Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.		Internal CPD Training Programme	
1300 Quality Assurance and Improvement Programme	The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.		Implicit in Internal Methodology	
1310 Requirements of the Quality Assurance and Improvement Programme	The quality assurance and improvement programme must include both internal and external assessments.		Internal Quality Assurance Arrangements External Audit review of key reports and working papers. No external assessments currently planned.	The organisation should start to plan when in the cycle of 5 years an external assessment is desired.
1311 Internal Assessments	Internal assessments must include: Ongoing monitoring of the performance of the internal audit activity; and Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.		Internal Quality Assurance Arrangements External Audit review of key reports and working papers.	
1312 External Assessments	External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board: The form of external assessments; The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. Public sector requirement: The chief audit executive must agree the scope of external assessments with an appropriate sponsor, e.g. the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.		No external assessments currently planned.	The organisation should start to plan when in the cycle of 5 years an external assessment is desired.
1320 Reporting on the Quality Assurance and Improvement Programme	The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.		Annual Report	
1322 Disclosure of Non-conformance	When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts the overall scope of operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board. Public sector requirement Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.		Annual Report (if required) Periodic Update (if required)	
2000 Managing the Internal Audit Activity	The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.		Annual Plan Engagement Reports Annual Report	

2010 Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. Public sector requirement The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.		Annual Plan	
2010.A1	The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.		Annual Plan	
2010.A2	The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.		Annual Plan	
2020 Communication and Approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.		Annual Plan	
2030 Resource management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Public sector requirement The risk-based plan must explain how internal audit's resource requirements have been assessed. Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.		Annual Plan	
2040 Policies and Procedures	The chief audit executive must establish policies and procedures to guide the internal audit activity.		Internal Audit Methodology	
2050 Coordination	Public sector requirement The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.		Annual Plan	
2060 Reporting to Senior Management and the Board	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.		Annual Plan Update Reports Annual Report	
2070 External Service Provider and Organisational Responsibility for Internal Auditing	When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.		Annual Plan	
2100 Nature of Work	The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.		Annual Plan	
2110 Governance	The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: Promoting appropriate ethics and values within the organisation; Ensuring effective organisational performance management and accountability; Communicating risk and control information to appropriate areas of the organisation; and Coordinating the activities of and communicating information among the board, external and internal auditors and management.		Annual Plan	
2110.A1	The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.		Annual Plan	
2110.A2	The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.		Annual Plan	
2120 Risk Management	The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.		Annual Plan and Risk Assessment	
2120.A1	The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the: Achievement of the organisation's strategic objectives; Reliability and integrity of financial and operational information; Effectiveness and efficiency of operations and programmes; Safeguarding of assets; and Compliance with laws, regulations, policies, procedures and contracts.		Annual Plan and Risk Assessment	
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.		Annual Plan and Risk Assessment	
2120.C1	During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.		Annual Plan and Risk Assessment	
2120.C2	Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.		Annual Plan and Risk Assessment	
2120.C3	When assisting management in establishing or improving risk management processes, internal auditor must refrain from assuming any management responsibility by actually managing risks.		Annual Plan and Risk Assessment	
2130 Control	The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.		Annual Plan and Value Protection Reviews	

2130.A1	The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the: Achievement of the organisation's strategic objectives; Reliability and integrity of financial and operational information; Effectiveness and efficiency of operations and programmes; Safeguarding of assets; and Compliance with laws, regulations, policies, procedures and contracts.		Annual Plan and Value Protection Reviews	
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.		Annual Plan and Value Protection Reviews	
2200 Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2201 Planning Considerations	In planning the engagement, internal auditors must consider: The objectives of the activity being reviewed and the means by which the activity controls its performance; The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level; The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and The opportunities for making significant improvements to the activity's governance, risk management and control processes.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2201.A1	When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2201.C1	Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210 Engagement objectives	Objectives must be established for each engagement.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.A1	Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.A2	Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.A3	Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.C1	Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2210.C2	Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2220 Engagement Scope	The established scope must be sufficient to satisfy the objectives of the engagement.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2220.A1	The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2220.C1	In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2230 Engagement Resource Allocation	Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.		Value Protection and Value Enhancement Scope of Review and Terms of Reference	
2240 Engagement Work Programme	Internal auditors must develop and document work programmes that achieve the engagement objectives.		Internal Audit Methodology	
2240.A1	Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.		Internal Audit Methodology	

2300 Performing the Engagement	Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.		Internal Audit Methodology	
2310 Identifying Information	Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.		Internal Audit Methodology	
2320 Analysis and Evaluation	Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.		Internal Audit Methodology	
2330 Documenting Information	Internal auditors must document relevant information to support the conclusions and engagement results.		Internal Audit Methodology	
2330.A1	The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties as appropriate.		Internal Audit Methodology PwC Risk Management policies	
2330.A2	The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.		Internal Audit Methodology PwC client document retention policies	
2330.C1	The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.		Internal Audit Methodology PwC client document retention policies	
2340 Engagement Supervision	Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.		Internal Audit Methodology	
2400 Communicating Results	Internal auditors must communicate the results of engagements.		Engagement Reports - Management and Audit Committee where appropriate	
2410 Criteria for Communicating	Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.		Engagement Reports - Management and Audit Committee where appropriate	
2410.A1	Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.		Engagement Reports - Management and Audit Committee where appropriate	
2410.A3	When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.		Engagement Reports - Management and Audit Committee where appropriate	
2420 Quality of Communications	Communications must be accurate, objective, clear, concise, constructive, complete and timely.		Annual Plan Update Reports Engagement Reports Annual Report	
2421 Errors and Omissions	If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.		Annual Plan (if required) Update Reports (if required) Engagement Reports (if required) Annual Report (if required)	
2431 Engagement Disclosure of Non-conformance	When non-conformance with the Definition of Internal Audit, the Code of Ethics, or the Standards impacts a specific engagement, communication of the results must disclose the: Principle or rule of conduct in the Code of Ethics or Standard(s) with which full conformance was not achieved; Reason(s) for non-conformance; and Impact of non-conformance on the engagement and the communicated engagement results.		N/A Engagement Reports (if required) Annual Report (if required)	
2440 Disseminating Results	The chief audit executive must communicate results to the appropriate parties.		Engagement Reports Annual Report	
2440.A2	If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must: Assess the potential risk to the organisation; Consult with senior management and/or legal counsel as appropriate; and Control dissemination by restricting the use of the results.		Individual Engagement Reports Risk Management policies	
2440.C2	During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.		Individual Engagement Reports (if required)	

2450 Overall Opinions	<p>When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information. Public sector requirement The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must incorporate:</p> <p>The opinion; A summary of the work that supports the opinion; and A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.</p>		Annual Report	
2500 Monitoring Progress	The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.		Implicit in Methodology	
2500.A1	The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.		Annual Plan includes Follow Up Individual Engagement Reports	
2500.C1	The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.		Individual Engagement Reports	
2600 Communicating the Acceptance of Risks	When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.		Annual Plan (if required) Annual Report (if required)	

This page is intentionally left blank

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Q3 Treasury Management Report

Report of Interim Head of Finance and Procurement

This report is public

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2013-14 for Quarter 3 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the Quarter 3 (Q3) Treasury Management Report

2.0 Introduction

- 2.1 As part of the investment strategy and governance arrangements this committee considers the investment performance to date and compliance with counterparties being used.
- 2.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment. The annual strategy for Cherwell District Council was approved at full Council on 25 February 2013. The Council re-appointed Sector (now known as Capita Asset Services) as its Treasury Management advisor in January 2013.
- 2.3 The highest standard of stewardship of public funds remains of the utmost importance to the Council. This report details the Council's management of investments and treasury management activities during the first six months of 2013-14.

3.0 Report Details

2013-14 Performance

- 3.1 As at the end of December the Council had £11.8m invested with fund manager Investec. In addition it has £57.4m managed in-house (including Eco Town funds of £13.5m) which fluctuates during the year. The Council regularly reviews of each of these funds in light of the current economic climate, reducing balances in investments planned to fund the Capital Programme and the need to contribute to efficiency savings.

Appendix 1 details the split of inhouse funds per category and banking group.

Update on Cherwell's Treasury Performance

- 3.2 The Treasury Management Strategy for 2013-14, which includes the Annual Investment Strategy, was approved by the Council on 25 February 2013. It sets out the Council's investment priorities as being:
- Security of Capital; Liquidity; and Yield
- 3.3 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs. However, the Council also seeks out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions. The Council uses Capita's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Capita (this applies in particular to nationalised and semi nationalised UK banks).
- 3.4 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes up to December 2013 was £60.6m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.
- 3.5 It is worth noting that the revenue budget for 2013-14 has been prepared utilising only £150,000 of investment income; however, total Investment income within 2013-14 is budgeted as £550,000. The balance above the £150,000 budget will be used to replenish reserves after transferring interest received in respect of Eco Town funds to the Eco Town reserve.

Investment performance for quarter ended 31 December 2013 was:

Fund	Average funds invested up to 31 December 2013	Interest Budget at 31 December 2013	Actual Interest at 31 December 2013	Variance	Rate of return %
Investec	£11,840,069	£43,125	£(4,813)	£(47,938)	-0.04%
In House	£60,663,123	£369,775	£415,731	£45,956	0.93%
Total	£72,503,192	£412,900	£ 410,918	£ (1,982)	

- 3.7 At this point in the year we are currently projecting to be on target. The variance shown above for inhouse investments has arisen through the timing of interest received.
- 3.8 There has been ongoing concern by both members and officers that the performance of the funds managed by Investec was not satisfactory. Members asked officers to review the situation and propose a course of action.
- 3.9 Therefore having taken advice from the treasury advisors Capita and reviewing both the current and projected performance of Investec a decision has been made to recall the funds managed by Investec.
- 3.10 The holding with Investec comprises a combination of different financial instruments – Certificates of Deposit and UK Gilts. The certificates of deposits have relatively short maturity dates and to maximise returns from these we will let them reach their full maturity date and then have the funds returned. This will be achieved in full by 31March 2014.
- 3.11 The UK Gilt holding of approx. £1.7m has a maturity date of 2018. To sell it now would realise a loss for the council due to the current market valuation. We are therefore transferring custodianship of these gilts to King and Shaxon (Specialist Investment Firm) where they will remain until either maturity or market conditions improve.
- 3.12 The added advantage of bringing these funds back in house is that the council will make savings in Fund Management Fees of approximately £18,000 / annum.

Icelandic Investments

- 3.13 There is currently no further update in respect of funds remaining within Iceland. As reported previously, out of the £6.5m original capital investment £5.7m has been returned to the Council. The remaining capital balance of £729,000 along with associated interest relating to the investment is still held within Iceland and is accruing interest on an annual basis.
- 3.14 Officers continue to work with the LGA and Bevan Brittan on the potential for transfer to the UK.

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report details the Treasury Performance for the Council for the nine months ended 31 December 2013

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To request further information on the performance reported.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Nicola Jackson, Corporate Finance Manager, 01295 221731

Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 Presentation of this report is in line with the CIPFA Code of Practice.

Comments checked by:

Kevin Lane, Head of Law & Governance 0300 0030107

Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 It is essential that this report is considered by AARC as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by:

Nicola Jackson, Corporate Finance Manager, 01295 221731

Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

Links to all elements of Corporate Plan

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Schedule of Inhouse investments.
Background Papers	
CIPFA Treasury Management Code of Practice Capita Templates	
Report Author	Tim Madden Interim Head of Finance and Procurement
Contact Information	Tim.Madden@Cherwellandsouthnorthants.gov.uk 0300 003 0106

This page is intentionally left blank

APPENDIX 1

CATEGORY / BANKING GROUP		Issue Date	Maturity Date	Principal @ 31 st December 2013
BUILDING SOCIETY				
Nationwide BS	Fixed Term Deposit	01/08/2013	03/02/2014	£3,000,000.00
Nationwide BS	Fixed Term Deposit	13/02/2013	21/03/2014	£2,000,000.00
Nationwide BS	Fixed Term Deposit	08/11/2013	05/02/2014	£3,000,000.00
Nationwide BS	Fixed Term Deposit	18/11/2013	21/02/2014	£1,000,000.00
Nationwide BS	Fixed Term Deposit	08/10/2013	16/01/2014	£3,500,000.00
			Total	£12,500,000.00
BARCLAYS BANK				
Barclays	Fixed Term Deposit	10/12/2013	13/03/2014	£5,000,000.00
Barclays	Fixed Term Deposit	04/12/2013	13/03/2014	£5,000,000.00
			Total	£10,000,000.00
LLOYDS BANKING GROUP				
Lloyds TSB	Fixed Term Deposit	03/09/2013	03/09/2014	£1,500,000.00
Lloyds TSB	Fixed Term Deposit	11/04/2013	10/04/2014	£4,000,000.00
Lloyds TSB	Fixed Term Deposit	04/07/2013	03/07/2014	£2,000,000.00
Bank of Scotland	Fixed Term Deposit	15/11/2013	14/11/2014	£2,500,000.00
Bank of Scotland	Fixed Term Deposit	04/07/2013	03/07/2014	£5,000,000.00
			Total	£15,000,000.00
RBS BANKING GROUP				
Ulster Bank	Fixed Term Deposit	25/10/2013	24/10/2014	£5,000,000.00
Nat West Liq Select	Call account			£7,570,000.00
			Total	£12,570,000.00
LOCAL AUTHORITIES				
Lancashire County Council	Fixed Term Deposit	20/12/2013	19/12/2014	£5,000,000.00
MONEY MARKET FUNDS				
Fed Prime Rate	Money Market Fund			£1,000,000.00

APPENDIX 1

RBS	Money Market Fund			£590,000.00
Icelandic deposit				
Glitnir		06/02/2007	31/03/2013	£729,669.00
		TOTAL INHOUSE FUNDS		£57,389,669.00

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Updated Treasury Management Strategy 2014-15

Report of Interim Head of Finance and Procurement

This report is public

Purpose of report

To receive an updated Treasury Management Strategy for 2014-15 and note the actions and proposals in respect of the funds held by fund managers Investec.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the updated Treasury Strategy for 2014-15.
- 1.2 To note the action and proposals in respect of funds held with Fund Managers Investec.

2.0 Introduction

- 2.1 As part of the investment strategy and governance arrangements, this committee considers the investment performance to date and compliance with counterparties being used.
- 2.2 The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA), and adopted in full by the Council in 2004, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment. The annual strategy for Cherwell District Council was approved at full Council on 25 February 2013. The Council re-appointed Capita Asset Services (formerly known as Sector) as its Treasury Management advisor in January 2013.
- 2.3 An initial draft copy of the Treasury Strategy for 2014-15 was put before this committee on 4 December 2013. Prior to this meeting a training session had been conducted for members by our appointed treasury advisors Capita with the purpose

of informing members of key aspects of the Strategy and their role in formulating said Strategy. An updated draft Strategy is contained in Appendix 1.

3.0 Report Details

2013/14 Performance and funds held with Investec.

- 3.1 As part of the December report members were asked to note the treasury performance as at quarter 2 for both the amount managed by fund managers Investec (£11.8m) and the amount managed in house (£57m).
- 3.2 Whilst members were satisfied with the returns achieved from the inhouse investments there was concern that the performance of the funds managed by Investec was not satisfactory. Members asked officers to review the situation and propose a course of action.
- 3.3 Therefore having taken advice from the treasury advisors Capita, and reviewing both the current and projected performance of Investec, a decision has been made to recall the funds managed by Investec.
- 3.4 The holding with Investec comprises a combination of different financial instruments – Certificates of Deposit and UK Gilts. The certificates of deposits have relatively short maturity dates and to maximise returns from these we will let them reach their full maturity date and then have the funds returned. This will be achieved in full by 31 March 2014.
- 3.5 The UK Gilt holding of approx. £1.7m has a maturity date of 2018. To sell it now would realise a loss for the Council due to the current market valuation. We are therefore transferring custodianship of these gilts to King and Shaxon (Specialist Investment Firm) where they will remain until either maturity or market conditions improve.
- 3.6 The added advantage of bringing these funds back in house is that the Council will make savings in Fund Management Fees of approximately £18,000 / annum.

Treasury Strategy 2014-15 – Return of Funds from Investec

- 3.7 The return of the funds from the certificates of deposits managed by Investec will add approximately an additional £10m to the inhouse funds, taking it up to the region of £67m.
- 3.8 In light of this, a further review of the draft 2014-15 Treasury Strategy has been undertaken to ensure that it offers the flexibility to incorporate the additional funds.
- 3.9 It is proposed that in order to maximise returns we undertake the following:-
 - establish a facility with King and Shaxon to enable them to purchase certificates of deposit on our behalf and
 - open additional accounts with other approved banking institutions.
- 3.10 The existing strategy permits the purchase of certificates of deposit. Additionally it permits the opening additional accounts with other approved banking institutions.

This in turn will ensure that investments within banking groups are limited to our approved £15m limit.

- 3.11 Officers will continue to utilise Money Market Funds to a limit of £10m per fund as an alternative mechanism for the short term deposit of cash where rates offered are favourable and the fund falls within approved creditworthiness limits.
- 3.12 However as an additional check we will periodically review the investments of these Money Market Funds to ensure that the overall limit of £15m per banking group is not breached.
- 3.11 Therefore, in respect of the funds returned from Investec there are no required changes to the proposed Treasury Strategy 2014-15. (Appendix 1)

Treasury Strategy 2014-15 – Borrowing

- 3.12 A key addition to the Treasury Strategy 2014-15 is a section on borrowing. This was a lengthy section in the draft strategy prepared for the December meeting. However having discussed this further with our Treasury advisors, the relevant principal to be incorporated into the 2104-15 Strategy is the ability to borrow. Greater detail on borrowing will follow in future Strategies if and when the council enters into debt.
- 3.13 In the Treasury Strategy 2014-15 (Appendix 1) the section on borrowing has therefore been updated accordingly.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The updated strategy for 2014-15 (Appendix 1) is based upon the views of the Council's Treasury Management Team. This is informed by market forecasts provided by the Council's treasury advisor Capita Asset Services (previously Sector).
- 4.2 In consultation with Capita and with full reference to the CIPFA Code of Practice, the Council has reviewed its risk appetite and associated priorities in relation to security, liquidity and yield in respect of returns from various financial instruments.
- 4.3 The draft strategy meets the requirements included within the CLG's Guidance on Local Government Investments.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To request further information.

7.0 Implications

Financial and Resource Implications

- 7.1 The return of funds from Investec will reduce fund managements costs by approximately £18,000 / annum.

Comments checked by:

Nicola Jackson, Corporate Finance Manager, 01295 221731

Nicola.Jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 Presentation of this report is in line with the CIPFA Code of Practice.

Comments checked by:

Kevin Lane, Head of Law & Governance 0300 0030107

Kevin.Lane@cherwellandsouthnorthants.gov.uk

Risk Management Implications

- 7.3 It is essential that this report is considered by AARC as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by:

Nicola Jackson, Corporate Finance Manager, 01295 221731

Nicola.Jackson@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All Corporate Plan Themes

Lead Councillor

Councillor Ken Atack

Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Treasury Management Strategy 2014-15
Background Papers	
CIPFA Treasury Management Code of Practice Sector Templates	
Report Author	Tim Madden Interim Head of Finance and Procurement
Contact Information	Tim.Madden@Cherwellandsouthnorthants.gov.uk 0300 003 0106

This page is intentionally left blank

CHERWELL DISTRICT COUNCIL

Treasury Management Strategy

Minimum Revenue Provision Policy Statement and
Annual Investment Statement

2014-15

1. Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee. This role is undertaken by the Accounts Audit & Risk Committee.

Report 1 - Treasury Strategy including Prudential and Treasury Indicators (This report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

Report 2 - A Mid Year Treasury Management Report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision. In addition the Accounts Audit and Risk Committee will receive quarterly update reports.

Report 3 - An Annual Treasury Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Accounts Audit and Risk Committee.

DRAFT

1.3 Treasury Management Strategy for 2014-15

The strategy for 2014-15 covers two main areas:

Treasury management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

Capital Issues

- the capital plans and the prudential indicators; and
- the minimum revenue provision (MRP) strategy

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

1.4 Training

CIPFA's Code of Practice requires the responsible officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receives appropriate training relevant to their needs and fully understands their roles and responsibilities.

The Council's approach is:

- To identify Members who require training;
- To assess the level of training required and procure training from an external organisation with expertise in this area, including the Council's Treasury Advisor, Capita Asset Services; and
- To monitor the ongoing training needs of Members based on legislative, regulatory and best-practice requirements.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses Capita Asset Services, Treasury as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

DRAFT

2. Capital Prudential Indicators 2014-15 – 2016/17

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £'000	2012/13 Actual	2013/14 Estimate	2014-15 Estimate	2015/16 Estimate	2016/17 Estimate
Total	11,172	5,000	22,300	2,600	1,500

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £'000	2012/13 Actual	2013/14 Estimate	2014-15 Estimate	2015/16 Estimate	2016/17 Estimate
Total	11,172	5,000	22,300	2,600	1,500
Financed by:					
Capital receipts	(9,617)	(4,225)	(21,525)	(1,825)	(725)
Capital grants	(544)	(375)	(375)	(375)	(375)
Reserves funded through Revenue	(446)	(400)	(400)	(400)	(400)
Donated asset Contribution	(565)	(0)	(0)	(0)	(0)
Net financing need for the year	0	0	0	0	0

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The Council is asked to approve the CFR projections below:

£'000	2012/13 Actual	2013/14 Estimate	2014-15 Estimate	2015/16 Estimate	2016/17 Estimate
Capital Financing Requirement					
Total CFR	-3,152	-3,152	-3,152	-3,152	-3,152
Movement in CFR	0	0	0	0	0

Movement in CFR represented by					
Net financing need for the year (above)	0	0	0	0	0
Less MRP/VRP and other financing movements	0	0	0	0	0
Movement in CFR	0	0	0	0	0

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be either:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
- **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4);

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

2.5 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 Ratio of financing costs to 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 net revenue stream.

%	2012/13 Actual %	2013/14 Estimate %	2014-15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Non-HRA	0	0	0	0	0

The estimates of financing costs include current commitments and the proposals in this budget report.

3 Borrowing

3.1 The council is currently debt free however the capital programme as detailed in section 2 demonstrates that Capital Receipts are diminishing. Future projects may require the need to borrow and for the council to enter into long term debt arrangements.

3.2 The Head of Finance and Procurement will monitor this situation and if and when there is an anticipated requirement to borrow outside of the authorised limits as detailed below an updated version of this strategy will be prepared for member approval.

Treasury Indicators: limits to borrowing activity

3.3 The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	£0	£0	£0	£0
Other long term liabilities	£0	£0	£0	£0
Total	£0	£0	£0	£0

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	£10m	£10m	£10m	£10m
Other long term liabilities	£0	£0	£0	£0
Total	£10m	£10m	£10m	£10m

4. Annual Investment Strategy

4.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using the Capita Asset Services ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial Capita Asset Services on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by the advisors, Capita Asset Services.

Other information sources used will include the financial press, share price and other such information pertaining to the banking Capita Asset Services in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in **Appendix 3** under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

4.2. Creditworthiness policy

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;

- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks *	yellow	£15m	5yrs
Banks	purple	£15m	2 yrs
Banks	orange	£15m	1 yr
Banks – part nationalised	blue	£15m	1 yr
Banks	red	£15m	6 mths
Banks	green	£15m	100 days
Banks	No colour	Not to be used	
DMADF	AAA	unlimited	6 months
Local authorities	n/a	£5m per auth	5 yrs
Money market funds	AAA	£10m per fund	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	£10m per fund	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	£10m per fund	liquid

Our creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1 There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government. Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch . The list of countries that qualify using this credit criteria as at the date of this report are shown in **Appendix 4**. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy

4.3 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014-15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

2014-15	0.50%
2015/16	0.50%
2016/17	0.75%
2017/18	2.25%

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£'000	2014-15	2015/16	2016/17
Principal sums invested > 364 days	15,000	15,000	15,000

For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

4.4 Icelandic Bank Investments –The council has received repayment of £5.7m of the initial Capital Investment of £6.5m with the remaining capital balance of £730k currently remaining in Iceland. The interest element attributed to the investment made - £624k also currently resides in Iceland.

The Council continues to pursue this with the LGA and Bevan Brittan for the transfer of these funds to the UK. It is too early to provide a definitive policy on how any exchange rate risk will be managed, but the expectation will be that the risk will be managed proactively and assets converted to sterling at the earliest opportunity.

4.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Appendix

1. Interest rate forecasts
2. Economic background
3. Treasury Management practice - Specified and non specified investments and limits
4. Approved countries for investments
5. Treasury management scheme of delegation and the role of the section 151 officer
6. Glossary

DRAFT

Appendix 1: Interest Rate Forecasts 2013-2017

Capita Asset Services Interest Rate View															
	Now	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
3 Month LIBID	0.39%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.70%	0.90%	1.00%
6 Month LIBID	0.47%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.70%	0.80%	1.00%	1.20%	1.40%
12 Month LIBID	0.75%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.90%	1.00%	1.20%	1.40%	1.60%	1.80%	2.00%
5yr PWLB Rate	2.38%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB Rate	3.52%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB Rate	4.29%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB Rate	4.33%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%
Bank Rate															
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
Capita Asset Services	2.38%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
UBS	2.38%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.38%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.90%	3.30%	-	-	-	-	-
10yr PWLB Rate															
Capita Asset Services	3.52%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
UBS	3.52%	3.90%	4.00%	4.00%	4.10%	4.10%	-	-	-	-	-	-	-	-	-
Capital Economics	3.52%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.80%	-	-	-	-	-
25yr PWLB Rate															
Capita Asset Services	4.29%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
UBS	4.29%	4.40%	4.50%	4.50%	4.60%	4.60%	-	-	-	-	-	-	-	-	-
Capital Economics	4.29%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.35%	-	-	-	-	-
50yr PWLB Rate															
Capita Asset Services	4.33%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%
UBS	4.33%	4.50%	4.50%	4.60%	4.60%	4.70%	-	-	-	-	-	-	-	-	-
Capital Economics	4.33%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.50%	-	-	-	-	-

Appendix 2: Economic Background

THE GLOBAL ECONOMY

The Eurozone. The sovereign debt crisis has eased during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out, has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of 176% Greece, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Many commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in getting a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy.

USA. The economy has managed to return to reasonable growth in Q2 2013 of 2.5% y/y in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve has continued to provide huge stimulus to the economy through its \$85bn per month asset purchases programme of quantitative easing. However, it is expected that this level of support will start to be tapered down by the end of 2013. It has also pledged not to increase the central rate until unemployment falls to 6.5%; this is probably unlikely to happen until early 2015. Consumer, investor and business confidence levels have improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have therefore been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China. Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and introduce other economic reforms, appears to have stalled. However, at long last, Japan has seen strong growth of 4% in the first two quarters of 2013 which portends well for the hopes that Japan can escape from the bog of stagnation and help support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and will fall from 128m to 100m by 2050.

THE UK ECONOMY

Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 (+0.3%) and 2 (+0.7%) of 2013 to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The August 2013 Bank of England Inflation Report consequently upgraded growth forecasts for 2013 from 1.2% to 1.4% and for 2014 from 1.7% to 2.5%. However, Bank Governor Mark Carney put this into perspective by describing this welcome increase as not yet being “escape velocity” to ensure we return to strong AND sustainable growth. So very encouraging - yes, but, still a long way to go! However, growth is expected to be strong for the immediate future. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

Forward guidance. The Bank of England also issued forward guidance with this Inflation Report which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years. The UK unemployment rate currently stands at 2.5 million i.e. 7.7 % on the LFS / ILO measure. The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year

plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the latest Inflation Report noted that productivity had sunk to 2005 levels. There has therefore been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment. The forecast in this report for Bank Rate not to start increasing until quarter 3 of 2016 is based on a slow reduction of unemployment, (in line with the Bank of England's forecast), and contrary to the prevalent market view where rates are indicating that Bank Rate is expected to start going up in early 2015.

Credit conditions. While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), FLS is also due to be bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties, which is now due to start in October 2013. While there have been concerns that these schemes are creating a bubble in the housing market, the housing market remains weak outside of London and the south-east with a significant increase in house prices either being entirely absent or minimal. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation. Inflation has fallen from a peak of 3.1% in June 2013 to 2.7% in September. It is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

Capita Asset Services forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries.

Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

Downside risks currently include:

- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England's forecasts
- Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rise to levels that undermine investor confidence in the UK and UK debt.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Appendix 3: Treasury Management Practice (TMP1) - Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Green	In-house
Term deposits – banks and building societies	Short-term F1, Long-term A, Viability BB+	Fund Manager

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max £	Max. maturity period
UK part nationalised banks	Green	In-house	£15m including Investec's limit	364 days
UK part nationalised banks	UK sovereign rating or Short-term F1, Long term A ,Viability BB+	Fund Manager	Max 15% of fund	364 days

Collateralised deposit	UK sovereign rating	In-house and Fund Managers
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	Green	In-house and Fund Manager
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	Short-term F1, Long-term A, Viability BB+	Fund Manager
UK Government Gilts	UK sovereign rating	In house buy and hold and Fund Manager
Bonds issued by multilateral development banks	AA-	In house buy and hold and Fund Manager
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	In house buy and hold and Fund Manager

Sovereign bond issues (other than the UK govt)	AA-	In house buy and hold and Fund Manager
Treasury Bills	UK sovereign rating	In house and Fund Manager
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	AAA	In-house
2. Money Market Funds	AAA	In-house

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: A maximum of 30% will be held in aggregate in non-specified investment

. Maturities of ANY period

	* Minimum Credit Criteria	Use	Max % of fund	Max. maturity period
Commercial paper issuance covered by a specific UK Government (explicit) guarantee	Short-term F1, Long-term A, Viability BB+	In- house and Fund Manager	15%	2 years
Commercial paper other	Short-term F1, Long-term A, Viability BB+	In- house and Fund Manager	15%	2 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	Short-term F1, Long-term A, Viability BB+	In- house and Fund Manager	15%	2 years

Appendix 4: Approved countries for investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- France
- Hong Kong
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- Saudi Arabia

Appendix 5: Treasury management scheme of delegation

6.1 Full council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

6.2 Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

6.3 Accounts Audit & Risk Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

6.4 Role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

Appendix 6: Glossary

Asset Class Limits	Limit on the amount of the total portfolio that can be invested an asset class for example credit rated Banks, Money Market Funds unrated Building Societies
Asset Life	The length of the useful life of an asset e.g. a school
Borrowing / Investment Portfolio	A list of loans or investments held by the Council.
Borrowing Requirement	The amount that the Council needs to borrow to finance capital expenditure and manage debt.
Callable deposit	Funds placed with a financial institution without a fixed maturity date (i.e. the money can be 'called' or withdrawn at any time).
Capitalisation direction	Government approval to use capital resources to fund revenue expenditure.
Cash deposits	Funds placed with a financial institution with a fixed maturity date and interest rate.
Certificates of deposits	(CD). CDs evidence fixed maturity time deposits with issuing banks or other deposit-taking institutions. Maturities range from less than a week to five years. They are normally negotiable and enjoy a liquid secondary market. They state the (1) amount deposited, (2) rate of interest, and (3) minimum period for which the deposit should be maintained without incurring early withdrawal penalties.
CIPFA Code of Practice on Treasury Management	A code of practice issued by CIPFA detailing best practice for managing the treasury management function.
Collateralised Deposit	Term deposits with UK institutions where such deposits are secured against a collateral pool comprised of loans made to UK local authorities.
Counterparty	Banks, Building Societies and other financial institutions that the Council transacts with for borrowing and lending.
Credit Arrangements	Methods of financing such as the use of finance leases
Credit Ratings	A scoring system used by credit rating agencies such as Fitch, Moody's and Standard and Poors to indicate the creditworthiness and other factors of a Governments, banks, building societies and other financial institutions.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office	An agency of the HM Treasury and its responsibilities include debt and cash management for the UK

	Government
Debt Rescheduling	Refinancing loans on different terms and rates to the original loan.
Financial instrument	Document (such as a bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Fitch Ratings	A credit rating agency.
Forward commitment	Written agreement by a lender to advance a loan on a future date at a specified interest rate. It automatically expires if not exercised by the potential borrower.
Gilts	Also known as Gilt-edged Securities. UK central Government debt. It may be dated (redeemable) or undated. Undated gilts are perpetual debt, paying a fixed periodic coupon but having no final redemption date. Gilt yields are conventionally quoted in the UK markets on a semi-annual basis.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
Lender Option Borrower Option (LOBO)	Loans that have a fixed rate for a specified number of years then can be varied by the lender at agreed intervals for the remaining life of the loan.
Limits for external debt	A Prudential Indicator prescribed by the Prudential Code sets limits on the total amount of debt the Council could afford.
Liquidity	Access to cash that is readily available.
Lowest Common Denominator	Whereby rating agencies provide credit ratings of institutions and the lowest rating is applied to determine whether they meet the criteria to be on the Council's lending list.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Maturity Structure of Borrowings	A profile of the Council's loan portfolio in order of the date in which they expire and require repayment.
Minimum Revenue Provision	The minimum amount, which must be charged to an authority's revenue account each year for the prudent repayment of debt.
Money Market Funds	Open ended collective investment fund that invests in highly-liquid short-term financial instruments (with maturities typically 90 days to less than one year).
Moody's	A credit rating agency.
Non Specified Investments	Investments deemed to have a greater potential of

	risk, such as investments for longer than one year or with institutions that do not have credit ratings, like some Building Societies. Limits must be set on the amounts that may be held in such investments at any one time during
Portfolio	A number of different assets, liabilities, or assets and liabilities together, considered as a whole. For example, a diversified investment portfolio. An investor in such a portfolio might hold a number of different investment assets within the portfolio, with the objectives of growing the total value of the portfolio and limiting the risk of losses.
Prudential Borrowing	Borrowing undertaken by the Council that does not attract government support to help meet financing costs.
Prudential Code for Capital Finance in Local Authorities	The capital finance system is based on the Prudential Code developed by CIPFA. The key feature of the system is that local authorities should determine the level of their capital investment and how much they borrow to finance that investment based on their own assessment of what they can afford.
Prudential Indicators	The key objectives of the Prudential Code are to ensure that the capital investment plans are affordable, sustainable and prudent. As part of this framework, the Prudential Code sets out several indicators that must be used to demonstrate this.
Public Works Loan Board (PWLB)	A central government agency which provides loans to local authorities and other prescribed institutions at interest rates slightly higher than those at which the Government itself can borrow.
Credit Rated	Institutions that possess a credit rating from a credit rating agency such as Fitch, Moody's or Standard and Poors.
Risk Control	Putting in place processes to control exposures to events.
Security	Placing cash in highly rated institutions.
Sovereign debt rating	Assessment of the international rating agencies of the likelihood that a particular country will default on its loans.
Specified Investments	Investments that offer high security and liquidity. They must have a maturity of no longer than 364 days.
Standard and Poors	A credit rating agency.
Supranational Institutions	Multi national structures - an amalgamation of different countries offering investment opportunities - for example Euro Investment Bank
UK Government Investments	Debt Management Office (DMO) deposits and bonds (gilts) for which maturity date at time of purchase is less than 365 days away

Yield	The rate of return on the current market value of an asset or liability, usually expressed as a percentage per annum. For example, today's yield to maturity of a bond measures the total return to an investor in the bond, reflecting both the interest income over the life of the bond and any capital gain (or loss) from today's market value to the redemption amount payable at maturity.
--------------	---

DRAFT

This page is intentionally left blank

2013/14 Work Programme

Topic	Lead	22-1-14	26-3-14	25-6-13
1. Apologies for Absence and Notification of Substitute Members	Chairman of AARC	Standing Agenda Item		
2. Declarations of Interest	Chairman of AARC	Standing Agenda Item		
3. Petitions and Requests to Address the Meeting	Chairman of AARC	Standing Agenda Item		
4. Urgent Business	Chairman of AARC	Standing Agenda Item		
5. Minutes of the previous meeting	Chairman of AARC	Standing Agenda Item		
Training Session	Chairman of AARC and Head of Finance & Procurement			
Review of Work Programme	Chairman of AARC and Head of Finance & Procurement	Standing Agenda Item		
External Audit Annual Certification of Claims Report	Ernst Young	✓		
External Audit Progress Update	Ernst Young		✓	✓
External Audit Fee Letter and Audit Plan	Ernst Young	✓		
External Audit Annual Results Report	Ernst Young			
External Audit Annual Audit Letter	Ernst Young			
Audit Committee Annual Report	Chairman of AARC and Head of Finance & Procurement			✓
Internal Audit Progress Report	Chief Internal Auditor		✓	✓
Follow up on Internal Audit Report	Chief Internal Auditor	As required		
Internal Audit Annual Plan	Chief Internal Auditor		✓	
Internal Audit Annual Report	Chief Internal Auditor			✓
Corporate Risk Register and Risk Strategy	Corporate Performance Manger and Head of Finance & Procurement		✓	
Risk Management Update	Corporate Performance Manger and Head of Finance & Procurement	✓	✓	✓
Anti Fraud and Corruption plus Whistle blowing Update (verbal update at every meeting)	Head of Finance & Procurement and Fraud Manager	✓	✓	✓
Review of the Anti Fraud and Corruption Strategy	Head of Finance & Procurement and Fraud Manager		✓	
Accounting Policies	Head of Finance & Procurement		✓	
Annual Governance Statement Review	Head of Finance & Procurement			✓
Statement of Accounts Review	Head of Finance & Procurement			
Statement of Accounts Approval***	Head of Finance & Procurement			
Treasury Management Budget Monitoring & Compliance	Head of Finance & Procurement	✓		✓
Treasury Management Strategy	Head of Finance & Procurement	✓		
IT access - follow up to EY report	Head of Finance & Procurement	✓		
Purchase Orders - Update	Head of Finance & Procurement	✓		

This page is intentionally left blank