

**Committee:** Accounts, Audit and Risk Committee  
**Date:** Wednesday 24 January 2018  
**Time:** 6.30 pm  
**Venue:** Bodicote House, Bodicote, Banbury, OX15 4AA

### Membership

|   |  |
|---|--|
| <b>Councillor Ian Corkin (Chairman)</b> | <b>Councillor Hugo Brown (Vice-Chairman)</b> |
| <b>Councillor Sean Gaul</b>             | <b>Councillor Mike Kerford-Byrnes</b>        |
| <b>Councillor Nicholas Mawer</b>        | <b>Councillor Barry Richards</b>             |
| <b>Councillor Tom Wallis</b>            | <b>Councillor Sean Woodcock</b>              |

## 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 22 November 2017.

**6. Chairman's Announcements**

To receive communications from the Chairman.

**7. Draft Treasury Management Strategy 2018-19 (Pages 7 - 10)**

\*\* Please note Appendix 1 is to follow as it is currently being reviewed and finalised\*\*

Report of the Chief Finance Officer

**Purpose of report**

To submit the draft Treasury Management Strategy Statement for 2018-19.

**Recommendations**

The meeting is recommended:

- 1.1 To note and comment on the draft Treasury Management Strategy Statement for 2018-19.

**8. Treasury Management Mid-Year Report for the 6 months ended 30 September 2017 (Pages 11 - 20)**

Report of the Chief Finance Officer

**Purpose of report**

To receive information on treasury management performance and compliance with treasury management policy for 2017-18 as required by the Treasury Management Code of Practice.

This report would normally be presented in November, but was postponed to a later date.

The Council's 2017-18 Treasury Management Strategy was revised in December 2017 so future reports will correspond to the new strategy, but this report corresponds to the original strategy that was in place at 30 September 2017.

**Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the mid-year Treasury Management Report.

**9. Internal Audit Progress Report (Pages 21 - 32)**

Executive Director of Finance & Governance

**Purpose of report**

- 1.1 The purpose of the report is to brief the Committee on the work carried out by the Internal Audit Service during the current financial year 2017/18.

**Recommendations**

- 2.1 To note the contents of the Internal Audit progress report (Appendix 1);
- 2.2 To note and comment upon the actions set out in paragraph 4 to address control weaknesses identified by internal audit.

**10. Statement of Accounts and External Audit Update**

\*\* Please note Statement of Accounts and External Audit Update is to follow as it is currently being reviewed and finalised\*\*

**11. Quarter Two Risk Review 2017-18 (Pages 33 - 50)**

Report of Director - Strategy and Commissioning

**Purpose of report**

To update the Committee on the management of Strategic risks during quarter two of 2017/18.

**Recommendations**

The meeting is recommended to:

- 1.1 Review the full Strategic Risk Register for 2017/18 and identify any issues for further consideration or referral to Executive.
- 1.2 Note the risk exceptions highlighted

**12. Work Programme (Pages 51 - 52)**

To consider and review the 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](mailto:democracy@cherwellandsouthnorthants.gov.uk) or 01295 227956 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 Aaron Hetherington, Democratic and Elections  
[aaron.hetherington@cherwellandsouthnorthants.gov.uk](mailto:aaron.hetherington@cherwellandsouthnorthants.gov.uk), 01295 227956

**Yvonne Rees**  
**Chief Executive**

Published on Tuesday 16 January 2018

## 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 22 November 2017 at 6.30 pm

Present: Councillor Ian Corkin (Chairman)  
Councillor Hugo Brown (Vice-Chairman)

Councillor Sean Gaul  
Councillor Mike Kerford-Byrnes  
Councillor Nicholas Mawer  
Councillor Barry Richards  
Councillor Sean Woodcock

Also Present: Councillor Tony Ilott, Lead Member for Financial Management  
Councillor Barry Wood, Leader of the Council  
Adrian Peachy, Montague Evans  
John Prestuich, Montague Evans  
Steve Bladen, Ernst Young  
Michell Ball, Freeths LLP  
David Blake, Arlingclose  
Phiroza Katrak, Arlingclose

Officers: Paul Sutton, Executive Director: Finance and Governance /  
Section 151 Officer  
Sanjay Sharma, Interim Head of Finance / Deputy Section 151  
Officer  
Chris Hipkiss, Interim Property & Investment Manager  
Natasha Clark, Democratic and Elections Team Leader  
Aaron Hetherington, Democratic and Elections Officer

#### 21 **Declarations of Interest**

Members made the following general declarations of interest:

Councillor Ian Corkin, declaration, as a board member of Graven Hill Village Development Company.

#### 22 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

23 **Urgent Business**

There were no items of urgent business.

24 **Minutes**

To confirm as a correct record the Minutes of the meeting of the Committee held on 28 June 2017.

25 **Chairman's Announcements**

There were no Chairman's announcements.

26 **The Acquisition of Castle Quay Shopping Centre**

The Chairman advised the Committee that in light of legal advice this item was exempt and therefore would not be considered in the public part of the meeting.

27 **Exclusion of Press and Public**

**Resolved**

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part 1, Paragraph 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

28 **The Acquisition of Castle Quay Shopping Centre - Exempt Report and Appendices**

The Chief Finance Officer submitted an exempt report on the Acquisition of Castle Quay Shopping Centre.

**Resolved**

- (1) As set out in the exempt minutes.
- (2) As set out in the exempt minutes.
- (3) As set out in the exempt minutes.
- (4) As set out in the exempt minutes.

The meeting ended at 8.34 pm

Chairman:

Date:

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## Cherwell District Council

### Accounts, Audit and Risk Committee

24 January 2018

#### Draft Treasury Management Strategy 2018-19

#### Report of the Chief Finance Officer

This report is public

#### Purpose of report

To submit the draft Treasury Management Strategy Statement for 2018-19.

#### 1.0 Recommendations

The meeting is recommended:

- 1.1 To note and comment on the draft Treasury Management Strategy Statement for 2018-19.

#### 2.0 Introduction

- 2.1 The Treasury Management Code of Practice and the Prudential Code issued by CIPFA, and revised in December 2017, require that a Treasury Management Strategy Statement is produced and approved by full Council prior to the beginning of the financial year to which it relates.
- 2.2 The highest standard of stewardship of public funds remains of the utmost importance to the Council. The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.
- 2.3 The Council appointed Arlingclose as its Treasury Management advisor in April 2017.

#### 3.0 Report Details

##### Draft Treasury Management Strategy Statement 2018-19

- 3.1 The proposed strategy for 2018-19 can be found at Appendix 1 (to follow). It is based upon the views of the Council's Treasury Management Team and has been informed by Arlingclose's advice and market forecasts. It meets all the requirements of the CIPFA Codes.

- 3.2 In consultation with Arlingclose and with reference to the CIPFA Code of Practice and Prudential Code, 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.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 There is a requirement to produce a revised Treasury Management Strategy prior to the start of each financial year.

## **5.0 Consultation**

None.

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 There are no alternative options – this is a requirement placed upon all local authorities.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 Presentation of this report is in line with the CIPFA Code of Practice. There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Sanjay Sharma, Interim Head of Finance

[Sanjay.sharma@cherwellandsouthnorthants.gov.uk](mailto:Sanjay.sharma@cherwellandsouthnorthants.gov.uk) 01295 221564

### **Legal Implications**

- 7.2 There are no legal implications arising from this report.

Comments checked by:

Richard Hawtin, Law and Governance

[richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk) 01295 221695

### **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:

Louise Tustian, Team Leader – Strategic Intelligence & Insight

[louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian@cherwellandsouthnorthants.gov.uk) 01295 221786

## Equality and Diversity

7.4 There are no equality and diversity issues arising directly from this report.

Comments checked by:

Caroline French, Corporate Policy & Projects Officer

[caroline.french@cherwellandsouthnorthants.gov.uk](mailto:caroline.french@cherwellandsouthnorthants.gov.uk) 01295 221586

## 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          | Treasury Management Strategy 2018-19 (to follow)  |
| Background Papers   |   |
| None                |   |
| Report Author       | Paul Sutton, Chief Finance Officer  |
| Contact Information | <a href="mailto:Paul.sutton@cherwellandsouthnorthants.gov.uk">Paul.sutton@cherwellandsouthnorthants.gov.uk</a><br>0300 003 0106 |

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## Cherwell District Council

### Accounts, Audit and Risk Committee

24 January 2018

|   |
|---|
| <b>Treasury Management Mid-Year Report for the 6 months ended 30 September 2017</b> |
|---|

### Report of the Chief Finance Officer

This report is public

#### Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2017-18 as required by the Treasury Management Code of Practice.

This report would normally be presented in November, but was postponed to a later date.

The Council's 2017-18 Treasury Management Strategy was revised in December 2017 so future reports will correspond to the new strategy, but this report corresponds to the original strategy that was in place at 30 September 2017.

#### 1.0 Recommendations

The meeting is recommended:

1.1 To note the contents of the mid-year Treasury Management Report.

#### 2.0 Introduction

In 2013 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.

The Council's treasury management strategy for 2017/18 was approved at a meeting of the Council on in February 2017. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

#### 3.0 Report Details

##### 3.1 External Context (provided by Arlingclose – October 2017)

Economic backdrop: Commodity prices fluctuated over the period with oil falling below \$45 a barrel before inching back up to \$58 a barrel. UK Consumer Price Inflation (CPI) index rose with the data print for August showing CPI at 2.9%, its

highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. The new inflation measure CPIH, which includes owner occupiers' housing costs, was at 2.7%.

The unemployment rate fell to 4.3%, its lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of calendar 2017.

The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". The Council's treasury advisor Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

In contrast, near-term global growth prospects improved. The US Federal Reserve increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and, despite US inflation hitting a soft patch with core CPI at 1.7%, a further similar increase is expected in its December 2017 meeting. The Fed also announced confirmed that it would be starting a reversal of its vast Quantitative Easing programme and reduce the \$4.2 trillion of bonds it acquired by initially cutting the amount it reinvests by \$10bn a month.

Geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly \$1 trillion from global equity markets but benefited safe-haven assets such as gold, the US dollar and the Japanese yen. Tensions remained high, with North Korea's threat to fire missiles towards the US naval base in Guam, its recent missile tests over Japan and a further testing of its latent nuclear capabilities.

Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty but the surprise result has led to a minority Conservative government in coalition with the Democratic Unionist Party. This clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment. The reaction from the markets on the UK election's outcome was fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, the ultimate 'divorce bill' for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK's benefit.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take only a very measured approach to any

monetary policy tightening, any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

Financial markets: Gilt yields displayed significant volatility over the six-month period with the appearing change in sentiment in the Bank of England's outlook for interest rates, the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe and from geopolitical tensions, which also had an impact. The yield on the 5-year gilts fell to 0.35% in mid-June, but then rose to 0.80% by the end of September. The 10-year gilts similarly rose from their lows of 0.93% to 1.38% at the end of the quarter, and those on 20-year gilts from 1.62% to 1.94%.

The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropped back to 7377 at the end of September. Money markets rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.30% and 0.65% over the period from January to 21st September.

Credit background: UK bank credit default swaps continued their downward trend, reaching three-year lows by the end of June. Bank share prices have not moved in any particular pattern.

There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3. The agency downgraded long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors.

S&P also revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-. The agency also upgraded the long-term rating of ING Bank from A to A+.

Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Council reduced the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.

The new EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be

prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

### 3.2 Regulatory Updates

**MiFID II:** Local authorities are currently treated by regulated financial services firms as professional clients who can “opt down” to be treated as retail clients instead. But from 3<sup>rd</sup> January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can “opt up” to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the Council must have an investment balance of at least £10 million and the person authorised to make investment decisions on behalf of the Council must have at least one year’s relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The main additional protection for retail clients is a duty on the firm to ensure that the investment is “suitable” for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice. The Council has declined to opt down to retail client status in the past as the costs were thought to outweigh the benefits.

The Council currently meets the conditions to opt up to professional status and has done so in order to maintain their current MiFID status. However the criteria that need to be met are ongoing and therefore depend on a continuing investment balance of £10 million being held. As the Council is now a net borrower this may change and we could therefore lose our professional status.

**CIPFA Consultation on Prudential and Treasury Management Codes:** In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30<sup>th</sup> September 2017.

The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to full council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. There are plans to drop certain prudential indicators, however local indicators are recommended for ring fenced funds (including the HRA) and for group accounts. Other proposed changes include applying the principles of the Code to subsidiaries.

Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties in the definition

of “investments” as well as loans made or shares brought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council. There are also plans to drop or alter some of the current treasury management indicators.

CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England; however there have been no discussions with the devolved administrations yet.

The revised CIPFA code was published in December 2017 and these are currently being digested and we are awaiting detailed advice from our advisers, Arlingclose, about how it will be implemented for 2018/19.

### 3.3 Local Context

On 31<sup>st</sup> March 2017, the Council had investments of £30.6m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

Table 1: Balance Sheet Summary

|                        | <b>31.3.17<br/>Actual<br/>£m</b> |
|------------------------|----------------------------------|
| General Fund CFR       | 2.4                              |
| Less: Usable reserves  | -21.5                            |
| Less: Working capital  | -11.4                            |
| <b>Net investments</b> | <b>-30.6</b>                     |

The Council’s current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30<sup>th</sup> September 2017 and the change over the period is show in table 2 below.

Table 2: Treasury Management Summary

|                        | <b>31.3.17<br/>Balance<br/>£m</b> | <b>Movement<br/>£m</b> | <b>30.9.17<br/>Balance<br/>£m</b> | <b>30.9.17<br/>Rate<br/>%</b> |
|------------------------|-----------------------------------|------------------------|-----------------------------------|-------------------------------|
| Long-term borrowing    | 0                                 | 0                      | 0                                 | -                             |
| Short-term borrowing   | 0                                 | 20                     | 20                                | 0.33                          |
| <b>Total borrowing</b> | <b>0</b>                          | <b>20</b>              | <b>20</b>                         | <b>0.33</b>                   |
| Long-term investments* | 12.9                              | 4.5                    | 17.4                              | -                             |
| Short-term investments | 11.3                              | -9.0                   | 2.5                               | 0.21                          |

|                                    |             |              |             |             |
|------------------------------------|-------------|--------------|-------------|-------------|
| Cash and cash equivalents          | 6.2         | -4.3         | 1.9         | 0.18        |
| <b>Total investments</b>           | <b>30.6</b> | <b>-8.8</b>  | <b>21.8</b> | <b>0.19</b> |
| <b>Net borrowing / investments</b> | <b>30.6</b> | <b>-28.8</b> | <b>1.8</b>  |             |

\*Long term investments of £12.9m/£17.4m are shares held in Graven Hill and are not 'treasury investments'

### 3.4 Borrowing Strategy during the half year

At 30/9/2017 the Council held £20m of loans, (an increase of £20m on 31/3/2017), as part of its strategy for funding previous years' capital programmes. The 30<sup>th</sup> September 2017 borrowing position is show in table 3 below.

Table 3: Borrowing Position

|                                | 31.3.17<br>Balance<br>£m | Movement<br>£m | 30.9.17<br>Balance<br>£m | 30.9.17<br>Weighted<br>average<br>rate<br>% |
|--------------------------------|--------------------------|----------------|--------------------------|---|
| Public Works Loan Board        | 0                        | 0              | 0                        | 0   |
| Banks (LOBO)                   | 0                        | 0              | 0                        | 0   |
| Banks (fixed-term)             | 0                        | 0              | 0                        | 0   |
| Local authorities (long-term)  | 0                        | 0              | 0                        | 0   |
| Local authorities (short-term) | 0                        | 20             | 20                       | 0.33  |
| <b>Total borrowing</b>         | <b>0</b>                 | <b>20</b>      | <b>20</b>                |   |

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

In furtherance of these objectives new borrowing was kept to a minimum, whilst options for securing lower rates for longer term borrowing were reviewed. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

The "cost of carry" analysis performed by the Council's treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

### 3.5 Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2017/18 the Council's investment balance ranged between £2.6 and £29.2 million due to timing differences between income and expenditure. The investment position during the half year is shown in table 4 below.

**Table 4: Investment Position**

|  | <b>31.3.17<br/>Balance<br/>£m</b> | <b>Movement<br/>£m</b> | <b>30.9.17<br/>Balance<br/>£m</b> | <b>30.9.17<br/>Weighted<br/>average<br/>rate<br/>%</b> |
|--|-----------------------------------|------------------------|-----------------------------------|--|
| Banks & building societies (unsecured) | 13.8                              | -11.2                  | 2.6                               | 0.23   |
| Covered bonds (secured)                |                                   |                        |                                   |  |
| Government (incl. local authorities)   | 0                                 | 0                      | 0                                 | 0  |
| Corporate bonds and loans              | 0                                 | 0                      | 0                                 | 0  |
| Money Market Funds                     | 4.2                               | -2.4                   | 1.8                               | 0.14   |
| Other Pooled Funds                     | 0                                 | 0                      | 0                                 |  |
| <b>Total investments</b>               | <b>18.0</b>                       | <b>-13.6</b>           | <b>4.4</b>                        |  |

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Given the increasing risk and low returns from short-term unsecured bank investments, the Council would aspire to diversify into more secure and/or higher yielding asset classes. However, given the low level of funds available for longer-term investment and the high liquidity requirements, the Council's surplus cash is likely to remain invested in short-term instant-access bank deposits and money market funds.

### **3.6 Other Investment Activity**

Although not currently classed as treasury management activities and therefore not covered by the CIPFA Code, the Council also holds £46.6m of investments in the form of shares in and loans to subsidiary companies

These non-treasury investments generate or are expected to generate a higher rate of return than earned on treasury investments, but reflects the additional risks to the Council of holding such investments.

If CIPFA's proposed amendments to the Treasury Management Code are adopted in the revised Code from 2018/19, these will henceforth be included in the expanded definition of "investments".

### **3.7 Performance Report**

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

**Table 6: Performance**

|  | <b>Actual<br/>£k</b> | <b>Budget<br/>£k</b> | <b>Over/<br/>Under<br/>£k</b> | <b>Actual<br/>%</b> | <b>Budget<br/>%</b> | <b>Over/<br/>Under<br/>%</b> |
|--|----------------------|----------------------|-------------------------------|---------------------|---------------------|------------------------------|
|  |                      |                      |                               |                     |                     |                              |

|                                 |           |           |           |             |             |              |
|---------------------------------|-----------|-----------|-----------|-------------|-------------|--------------|
| <b>Total investment returns</b> | <b>25</b> | <b>34</b> | <b>-9</b> | <b>0.33</b> | <b>0.41</b> | <b>-0.08</b> |
|---------------------------------|-----------|-----------|-----------|-------------|-------------|--------------|

### 3.8 Compliance Report

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during the first half of 2017/18 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, specifically in respect of investment and debt limits.

### 3.9 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. The Chief Finance Officer is pleased to report that all indicators were complied with during, and at the end of, the reporting period.

### 3.10 Outlook for the remainder of 2017/18 (provided by Arlingclose – October 2017)

The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e after inflation) struggles in the face of higher inflation.

The Bank of England's Monetary Policy Committee has changed its rhetoric, implying a rise in Bank Rate in "the coming months". Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

This decision is still very data dependant and Arlingclose is, for now, maintaining its central case for Bank Rate at 0.25% whilst introducing near-term upside risks to the forecast as shown below. Arlingclose's central case is for gilt yields to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

|                          | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate       |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk              | 0.25   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| Arlingclose Central Case | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   |
| Downside risk            | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   |

### 4.0 Conclusion and Reasons for Recommendations

This report details the Treasury Performance for the Council for the half year ended 30 September 2017. The committee is recommended to note its contents.

### 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 Presentation of this report is in line with the CIPFA Code of Practice. There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Sanjay Sharma, Interim Head of Finance

[Sanjay.sharma@cherwellandsouthnorthants.gov.uk](mailto:Sanjay.sharma@cherwellandsouthnorthants.gov.uk) 01295 221564

### **Legal Implications**

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

Comments checked by:

Richard Hawtin, Law and Governance

[richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk) 01295 221695

### **Risk Management Implications**

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

Comments checked by:

Louise Tustian, Team Leader – Strategic Intelligence & Insight

[louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian@cherwellandsouthnorthants.gov.uk) 01295 221786

### **Equality and Diversity**

7.4 There are no equality and diversity implications from this report.

Comments checked by:

Caroline French, Corporate Policy & Projects Officer

[caroline.french@cherwellandsouthnorthants.gov.uk](mailto:caroline.french@cherwellandsouthnorthants.gov.uk) 01295 221586

## **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**

| Background Papers   |   |
|---------------------|---|
| None                |   |
| Report Author       | Paul Sutton, Chief Finance Officer  |
| Contact Information | <a href="mailto:paul.sutton@cherwellandsouthnorthants.gov.uk">paul.sutton@cherwellandsouthnorthants.gov.uk</a><br>0300 003 0106 |

## Cherwell District Council

### Accounts, Audit and Risk Committee

24 January 2018

|                                       |
|---------------------------------------|
| <b>Internal Audit Progress Report</b> |
|---------------------------------------|

#### Executive Director of Finance & Governance

This report is public

#### **Purpose of report**

The purpose of the report is to brief the Committee on the work carried out by the Internal Audit Service during the current financial year 2017/18.

#### **1.0 Recommendations**

- 1.1 To note the contents of the Internal Audit progress report (Appendix 1);
- 1.2 To note and comment upon the actions set out in paragraph 4 to address control weaknesses identified by internal audit.

#### **2.0 Introduction**

- 2.1 The Committee is required to approve and review the Councils Annual Internal Audit Plan.
- 2.2 The Internal Audit Plan was agreed at the Committee meeting in March 2017.
- 2.3 This is the first formal report of the new internal auditor since they commenced their role this year.
- 2.4 The Council has been working with the auditor to change the reporting to both management and members to better address where control weaknesses occur and the actions agreed to address them. This is set out in section 4 below.

#### **3.0 Report Details**

- 3.1 The Internal Auditor's report is set out at Appendix 1.
- 3.2 The report provides an update on progress against the agreed Internal Audit Plan for 2017/18, summaries of individual service reviews completed and an analysis of actions taken against previous IA recommendations.

- 3.3 The report reflects the audits that have been completed and agreed with the service, which is lower than planned however there are a number of audits that are with management to approve final reports and will be reported next quarter.
- 3.4 In addition to the Internal Auditors report management should report its responses to the reports, to members setting out actions to address areas where limited controls are in place. This is set out below:

### **Payroll**

- 3.5 The overall control level was identified as moderate and there are no Limited controls, meaning that although there are no immediate issues that need to be resolved there are control weaknesses that will need to be addressed.
- 3.6 Management have accepted the recommendations related to the audit and recognise the areas of concern. These are mainly around the functionality of the existing Northgate payroll system and its compatibility with the Civica financial management system.
- 3.7 The Council is in the process of addressing these issues by replacing the Northgate payroll system. The audit findings and recommendations have been shared with the payroll implementation project team and will be addressed as part of the system build.

### **Transformation – Customer Services Project**

- 3.8 This audit was included in the Internal Audit plan by the auditor after management raised concerns with how the project was progressing.
- 3.9 Whilst the overall control level was identified as moderate there are controls with limited assurance, which require immediate action.
- 3.10 Management have accepted the recommendations related to the audit and recognise the areas of concern. These are mainly related to how the project has been managed and identification of clear objectives and outcomes.
- 3.11 In response to the audit management have already put in place a programme of work to set out a new customer service strategy, developing corporate standards and linkages into the digital transformation agenda. This will remain a core part of the transformation programme.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 This is part of the function of the Audit Committee

## **5.0 Consultation**

- 5.1 Lead member for Financial Management

## 6.0 Alternative Options and Reasons for Rejection

6.1 Not applicable

## 7.0 Implications

### Financial and Resource Implications

7.1 There are no financial implications arising from this report

Comments checked by:

Sanjay Sharma – Interim Head of Finance

[Sanjay.sharma@cherwellandsouthnorthants.gov.uk](mailto:Sanjay.sharma@cherwellandsouthnorthants.gov.uk)

### Legal Implications

7.2 There are no legal issues arising from this report.

Comments checked by:

James Doble – Democratic and Elections Manager and Monitoring Officer

[james.doble@cherwellandsouthnorthants.gov.uk](mailto:james.doble@cherwellandsouthnorthants.gov.uk)

### Risk Implications

7.3 There are no risk implications arising from this report

Comments checked by:

Julie Miles - Strategic Intelligence & Insight Assistant

[Julie.Miles@cherwellandsouthnorthants.gov.uk](mailto:Julie.Miles@cherwellandsouthnorthants.gov.uk)

## 8.0 Decision Information

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

### Lead Councillor

Councillor Tony Ilott – Lead Member for Financial Management

### Document Information

| Appendix No       | Title                                 |
|-------------------|---------------------------------------|
| 1                 | CWAS – Internal Audit Progress Report |
| Background Papers |                                       |
| None              |                                       |

|                            |  |
|----------------------------|--|
| <b>Report Author</b>       | Paul Sutton – Executive Director - Finance and Governance  |
| <b>Contact Information</b> | <a href="mailto:Paul.sutton@cherwellandsouthnorthants.gov.uk">Paul.sutton@cherwellandsouthnorthants.gov.uk</a><br>03000 030106 |

# Cherwell District Council

## Internal Audit Progress Report

January 2018

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Bringing public value to life

**cw audit**  
internal audit services

# 1. Introduction

This report summarises the work of Internal Audit to early January 2018, in relation to 2017/18 internal audit plan delivery.

The purpose of the report is to:

- Show progress against the audit plan;
- Summarise the key findings and conclusions arising from our work during the period;
- Provide details of planned work;
- Update on the implementation of actions agreed by management in relation to internal audit recommendations.

# 2. Progress summary

Set out below is the current status of all audit assignments from the 2017/18 plan, together with the opinions we have provided in each case where appropriate.

| Review  | Scheduled Quarter   | Status  | Level of assurance (where relevant) |
|---|---------------------|---|-------------------------------------|
| Information Governance/IT/Information Systems Risk Assessment | Quarter 4           | Scope agreed – to follow up implementation of actions arising from 2016/17 internal audit review on Cybersecurity.                  |                                     |
| Business Continuity/Disaster Recovery                         | Quarter 4           | Scope agreed – to follow up implementation of actions arising from 2016/17 internal audit review on Business Continuity Management. |                                     |
| Transformation – Customer Services Project                    | Quarter 3           | Review completed, final report issued   | <b>Moderate</b>                     |
| Human Resources/Workforce Planning                            | Quarter 1 2018/19   | Timescale following appointment of new AD (HR)  |                                     |
| Partnership working   | To be agreed        | Scope and timescale to be determined to reflect current operations  |                                     |
| Project Assurance – provision to                              | Ongoing/as required | Input provided on request to Revenues and Benefits.   |                                     |

| Review  | Scheduled Quarter   | Status  | Level of assurance (where relevant) |
|---|---------------------|---|-------------------------------------|
| provide assurance and advice in relation to key projects                            |                     |   |                                     |
| Project Assurance – Build project   | Quarter 4           | Proposed follow up of 2016/17 internal audit – exact scope and timescale to be determined to reflect current operations |                                     |
| Medium Term Financial Planning/Financial Resilience/Savings & Income Maximisation   | Quarter 3/Quarter 4 | In progress   |                                     |
| Budget management and reporting   | Quarter 4           | Exact scope and timing to be agreed   |                                     |
| Capital Programme Management  | Quarter 4           | Draft scope issued to management; under discussion.   |                                     |
| Finance Systems - High Level Controls (focussing on debtor collection and recovery) | Quarter 3           | Review completed, draft report issued (November)  |                                     |
| Payroll   | Quarter 2           | Review completed, final report issued   | <b>Moderate</b>                     |
| New ledger system (Civica) – financial ledger, debtors, creditors                   | Quarter 4           | Scope agreed. Exact timing to be agreed.  |                                     |
| Income & Payment Systems (Revenues and Benefits) - High Level Controls              | Quarter 3/Quarter 4 | In progress   |                                     |
| Commercial Property management  | Quarter 2           | Review completed, draft report issued (October)   |                                     |

### 3. Reviews completed

The following reviews have been completed and a final report issued, since our last report to this Committee.

| Review                   | Key issues arising from audit   | Level of assurance |             |          |         |    |
|--------------------------|---|--------------------|-------------|----------|---------|----|
| Payroll                  | <p>The review identified a number of areas of non-compliance with Council protocol and procedures regarding transaction workflow; issues arising from the Northgate Payroll system functionality and compatibility with the Councils Civica Finance system, and areas for control improvement particularly around security and access to electronic payroll forms, the controls around access to the Payroll System itself and supporting Human Resource (HR) System module.</p> <p>The review was sought by management to support effective implementation of the new Payroll system; with sufficient time until the system is implemented and configured this will allow the Council to ensure the risks are addressed before the system is used.</p> | <b>Moderate</b>    |             |          |         |    |
| System control objective |   | Level of Assurance |             |          |         |    |
|                          |   | Full               | Significant | Moderate | Limited | No |
| 1.                       | Permanent payroll data held on the system is accurate, and any amendments to payroll data (including starters, leavers and standing data changes) are valid, accurate, appropriately authorised and timely.   |                    |             | ✓        |         |    |
| 2.                       | All deductions made from salaries are accurate, timely and authorised.  | ✓                  |             |          |         |    |
| 3.                       | All payments are based on valid, accurate, appropriately authorised and timely data and documentation. (Including expenses and allowances).   |                    |             | ✓        |         |    |
| 4.                       | The payroll is processed in an accurate and timely manner, including any temporary variations to pay.   |                    | ✓           |          |         |    |
| 5.                       | The security of payroll data is adequately maintained.  |                    |             | ✓        |         |    |
| 6.                       | Payroll system/data is suitably and timely reconciled to financial ledger.  |                    |             | ✓        |         |    |
| 7.                       | Checks are operated on the accuracy of the payroll (eg to establishment lists/structure).   |                    | ✓           |          |         |    |

| Review                                     | Key issues arising from audit   | Level of assurance |
|--|---|--------------------|
| Transformation – Customer Services project | <ul style="list-style-type: none"> <li>A Benefits Realisation review should be carried out to consider the delivery of the project against its original stated scope and aims to measure success, identify any remaining areas and lessons learned.</li> <li>A clear vision and strategy needs to be established to form the context within which the Customer Services project should work going forward. This would provide or lead to clear objectives and targets against which the project and linked areas of development could be managed and assessed.</li> <li>The project should be managed under clear project management disciplines including clear definition, project plan, risk management, and defined project reporting mechanisms. Ideally this should flow from establishment of a corporate project management methodology to ensure key projects such as this are governed systematically.</li> </ul> | <b>Moderate</b>    |

| System control objective   | Level of Assurance |             |          |         |    |
|--|--------------------|-------------|----------|---------|----|
|  | Full               | Significant | Moderate | Limited | No |
| 1. Suitable governance and reporting arrangements are in place regarding the overall delivery of the transformation programme (in the context of reporting on projects such as Customer Services). |                    | ✓           |          |         |    |
| 2. Customer Services project - Planned project outcomes, benefits, budget and timelines are clearly defined and approved   |                    |             |          | ✓       |    |
| 3. Customer Services project - Clear and appropriate arrangements are operated to monitor progress against, and approve any changes to, outcomes, benefits, budget and timelines                   |                    |             |          | ✓       |    |
| 4. Customer Services project - Risks to the project are clearly defined and monitored and dealt with   |                    |             |          | ✓       |    |
| 5. Customer Services project - Suitable reporting arrangements are in place to assure management and members on progress and risk management   |                    |             | ✓        |         |    |
| 6. Customer Services project - A suitable project team is in place to ensure the project is adequately resourced and overseen  |                    |             | ✓        |         |    |

For members' information, the table below summarises the meaning of the different overall assurance levels we provide:

## Definition of our assurance levels and our risk rankings

| Opinion            | Assessment rationale  |
|--------------------|---|
| <b>No</b>          | The audit highlighted weaknesses in the design or operation of controls that have not only had a significant impact on the delivery of key system objectives, they have also impacted on the delivery of the organisation's strategic objectives. As a result, <b>no</b> assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of both system and strategic objectives.  |
| <b>Limited</b>     | The audit highlighted some weaknesses in the design or operation of control that have had a serious impact on the delivery of key system objectives, and could also impact on the delivery of some or all of the organisation's strategic objectives. As a result, only <b>limited</b> assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.   |
| <b>Moderate</b>    | The audit did not highlight any weaknesses that would in overall terms impact on the achievement of the system's key objectives. However, the audit did identify some control weaknesses that have impacted on the delivery of certain system objectives. As a result, only <b>moderate</b> assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.   |
| <b>Significant</b> | The audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. The audit did find some low impact control weaknesses which, if addressed, would improve the overall performance of the system. However these weaknesses do not affect key controls and are unlikely to impair the achievement of the system's objectives. As a result, <b>significant</b> assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives. |
| <b>Full</b>        | The audit did not highlight any weaknesses that would impact on the achievement of the system's key objectives. It has therefore been concluded that key controls have been adequately designed and are operating effectively to deliver the key objectives of the system. As a result, <b>full</b> assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.  |

### 3. Recommendation tracking

As part of the service provided by CW Audit, tracking of the implementation of actions agreed by management will take place and be reported through to this Committee. Recommendations and agreed actions are uploaded to a web-based database when audit reports are finalised. Managers will access the system, and update status and mark actions as implemented when appropriate. The tables below set out the type of information we are proposing to provide to the Committee in future once the system is fully in use by managers. The first table below will set out a summary of agreed actions, due to be implemented by a stated recent date; the second table will show the age of those agreed actions (based on the original date due for implementation) which are not yet complete at the time of reporting. Members should note that the status of each action will be as stated by management and not verified by Internal Audit unless a specific follow up audit has been undertaken.

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| Summary                      | 1<br>Critical | 2<br>High | 3<br>Medium | 4<br>Low | Total |
|------------------------------|---------------|-----------|-------------|----------|-------|
| Due by DD/MM/YY              | -             | -         | -           | -        | -     |
| Implemented                  | -             | -         | -           | -        | -     |
| Closed                       | -             | -         | -           | -        | -     |
| In progress but not complete | -             | -         | -           | -        | -     |
| Outstanding (not started)    | -             | -         | -           | -        | -     |

| Time overdue for actions o/s or not complete | 1<br>Critical | 2<br>High | 3<br>Medium | 4<br>Low | Total |
|--|---------------|-----------|-------------|----------|-------|
| Less than 3 months                           | -             | -         | -           | -        | -     |
| 3 – 6 months                                 | -             | -         | -           | -        | -     |
| Greater than 6 months                        | -             | -         | -           | -        | -     |

| <b>Time overdue for actions o/s or not complete</b> | <b>1<br/>Critical</b> | <b>2<br/>High</b> | <b>3<br/>Medium</b> | <b>4<br/>Low</b> | <b>Total</b> |
|---|-----------------------|-------------------|---------------------|------------------|--------------|
| Total   | -                     | -                 | -                   | -                | -            |

We will then propose to provide a summary for all 'high risk' agreed actions which were due for implementation by the stated date and which managers have not recorded as fully implemented, together with a summary of the most recent update from managers/officers responsible.

## Cherwell District Council

### Accounts, Audit and Risk Committee

22 November 2017

|  |
|--|
| <b>Quarter Two Risk Review 2017-18</b> |
|--|

### Report of Director - Strategy and Commissioning

This report is public

#### Purpose of report

To update the Committee on the management of Strategic risks during quarter two of 2017/18.

#### 1.0 Recommendations

The meeting is recommended to:

- 1.1 Review the full Strategic Risk Register for 2017/18 and identify any issues for further consideration or referral to Executive.
- 1.2 Note the risk exceptions highlighted

#### 2.0 Introduction

- 2.1 The Council details its approach to managing risk in its Risk and Opportunities Management Strategy 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 Joint Management Team (JMT). This takes the form of reviewing the strategic risk register. Operational risks are reviewed at departmental level but can be escalated to the strategic risk register if required.

Whilst a formal review is undertaken annually to refresh the strategic risk register and identify any new or emerging risks or opportunities, risks may still be added at any point during the year.

- 2.3 This is the second quarterly performance report of 2017/18 provided on the Strategic Risk Register. Risk exceptions have been highlighted to provide a focus on those risks rated 16 or above (red risks requiring active management) and any changes to risk ratings that have occurred.

- 2.4 **The Risk and Opportunities Management Strategy** (which is a joint document for both Cherwell DC and South Northamptonshire DC) was reviewed and updated for 2016/17 to better reflect the Councils' risk appetite, attitude to risk and changes to the information management and data collection system that underpins the process.
- 2.5 This report focusses on risks specific to Cherwell DC and those that are shared and jointly managed with South Northamptonshire Council.
- 2.6 The following key applies to the remainder of the report and associated appendices.

| Colour | Symbol  | Meaning  |
|--------|---|--|
| Red    |    | <b>Requires active management</b><br>High impact / High likelihood<br>Risk requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.   |
| Amber  |    | <b>Contingency Plans</b><br>A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile. Escalate upwards.   |
| Green  |  | <b>Good Housekeeping</b><br>May require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same. |
| Grey   |  | Not updated  |
|        |  | Risk has reduced since previous review   |
|        |  | Risk has increased since previous review   |
|        |  | Risk has not changed since last review   |
|        |  | Direction of Travel is not applicable as risk is new   |

### 3 Report Details

#### 3.1 Summary

- 3.1.1 During the second quarter of 2017/18, there are **no** risks rated as red (active management), **26** risks are rated amber (contingency plans) and **2** are rated green (good housekeeping).
- 3.1.2 The table below shows the overall breakdown of the **28** risks by ratings for Cherwell District Council; split by CDC specific and shared as well as the three risk categories.

| Council      | Strategic Risks   |   |   | Corporate Risks   |  |   | Partnership Risks   |   |   |
|--------------|---|---|---|---|--|---|---|---|---|
|              |  |  |  |  |  |  |  |  |  |
| CDC          | 0   | 8   | 0   | 0   | 1  | 0   | 0   | 0   | 1   |
| Shared       | 0   | 6   | 0   | 0   | 11   | 1   | 0   | 0   | 0   |
| <b>TOTAL</b> | <b>0</b>  | <b>14</b>   | <b>0</b>  | <b>0</b>  | <b>12</b>  | <b>1</b>  | <b>0</b>  | <b>0</b>  | <b>1</b>  |

- 3.2 The full risk register has been reviewed by the risk owners and members of JMT and an exception report created; this report focusses on those risks with a residual score of 16 or higher ('Red' risks that require active management), or have had a change in risk scores since the previous quarter.

There are currently no residual risk scores over 16. Exceptions are for changes in the risk scores.

### 3.3 Change in risk scores:

**S07 Common – Customer Service Improvement (Including channel shift)** risk score has increased from 9 to 12. Bringing Revenue and Benefits back in house and the subsequent change of systems to incorporate shared service has led to increased calls to Customer Service. This in turn is having an impact on the speed with which training can take place for staff on all services, thus resulting in delay in the taking of calls and face to face service for benefits. New methods of working (system and process) are currently being trained out and this result the risk rating decreasing once the training is complete.

**S19 CDC – Asset management** rating for this risk has decreased from 8 to 6 due to implementation of the Assessment Management Strategy and Resource Plan. During the process, engagement with other teams has taken place in order to ensure overall that plans are considered and actioned.

Please see Appendix 1 for further information regarding these risks.

## 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 1 To support the current approach and having considered the Strategic, risks, report any concerns arising to the Executive.

Option 2 To reject the current approach and proposals and report any concerns arising to the Executive.

- 4.2 We would recommend the adoption of **option 1**.

## 5.0 Consultation

- 5.1 Both CDC Accounts, Audit and Risk Committee and SNC Audit Committee have been consulted 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 recommend an alternative approach to risk management. This option is not recommended as it departs from the Council's stated approach to risk management as set out in its Risk and Opportunities Management Strategy.

## **7.0 Implications**

### **Financial and Resource Implications**

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

Comments checked by Paul Sutton, Chief Finance Officer

Tel: 0300 0030 106 E-mail: [Paul.Sutton@cherwellandsouthnorthants.gov.uk](mailto:Paul.Sutton@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

7.2 There are no specific legal implications arising from this report,

Comments checked by Nigel Bell, Interim Legal Services Manager,

Tel: 01295 221687 Email: [Nigel.bell@cherwellandsouthnorthants.gov.uk](mailto:Nigel.bell@cherwellandsouthnorthants.gov.uk)

## **8.0 Decision Information**

### **Wards Affected**

All

### **Links to Corporate Plan and Policy Framework**

All strategic priorities

### **Lead Councillor**

Councillor Richard Mould

Lead member for Strategic Intelligence & Insight

## Document Information

| Appendix No              | Title   |
|--------------------------|---|
| 1                        | Exceptions - Residual 16 or higher or rating change   |
| 2                        | Full Risk Register  |
| 3                        | High Level Risk Summary   |
| <b>Background Papers</b> |   |
| None                     |   |
| Report Author            | Louise Tustian, Team Leader, Strategic Intelligence & Insight Team  |
| Contact Information      | <u><a href="mailto:Louise.tustian@cherwellandsouthnorthants.gov.uk">Louise.tustian@cherwellandsouthnorthants.gov.uk</a></u><br>01295 221786 |

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## Appendix 1 Risk Exceptions - Residual = 16 or higher OR Rating change

| Council Ref.   | Name  | Description   | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change Since | Previous rating |
|--|---|---|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------------|-----------------|
| Shared   | <b>S07 Customer Service Improvement (including channel shift)</b> | Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction | 3            | 4                 | 12         | 3              | 4                   | 12            | Sep-17       |              | Jun 17 09       |
| <p>Current Controls : Managers discuss service changes with customer service to mitigate any negative impact on customer service. Customer communications in local/residents newsletter. Customer complaints process Annual Customer Satisfaction Survey undertaken and post feedback action plan developed. JMT highlight service changes to CS team to ensure web/service team can deliver, project also part of the transformation programme with associated governance. Corporate CS standards in place. Web - Redesign of websites to go live Sept 17 with enhanced online capability. Phase 2 project to be initiated Q3/4 to improve end to end transaction - this includes online forms and payment. On going review of the web</p> <p>Assurances : Project governance, performance management reporting, customer insight reporting.</p> <p>Risk Commentary : Bringing Revs and Bens back in house and the subsequent change of systems to incorporate shared service has led to a back log of work. The transfer of data from one system to another has also caused some anomalies . Both have caused an increase in calls to Customer Service which although we are handling well, have impacted on the speed with which we are able to train all staff on all services for CDC and SNC. This has resulted in a delay to us taking over the calls and the face to face service for Benefits at SNC. As the new systems and ways of working bed down, training will get back on track and this shouldn't be an issue</p> |   |   |              |                   |            |                |                     |               |              |              |                 |
| CDC  | <b>S19 Asset Management</b>                                       | Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.                             | 4            | 4                 | 16         | 3              | 2                   | 06            | Sep-17       |              | Jun 17 08       |
| <p>Current Controls : In 2015/16 to agree and implement 1) Asset Strategy Resource Plan 2) Operational Offices Plan 3) Car Parks Plan 4) Community Buildings Plan 5) Local Centres Plan Future Controls:- In 2016/17 to agree and implement 1) Data and Systems Plan 2) Operational Depot Plan 3) Leisure Buildings Plan 4) Commercial Investment Plan</p> <p>Assurances : At the current time an Accommodation Asset Strategy Board provides a forum for debate and discussion about property matters. The Board comprises the Lead Members for Finance and Estates/Economy. The officer support is made up of representatives of Estates, Regeneration, Housing, Finance, and Bicester. The role and responsibilities of the Board will be clarified having regard to the actions and priorities arising out of the Asset Strategy.</p> <p>Risk Commentary : We continue to implement the Asset Management Strategy and resource plan. During this process we are engaging with other teams to ensure overall plans are considered and actioned.</p>   |   |   |              |                   |            |                |                     |               |              |              |                 |

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## Strategic Risks

| Council   | Ref. | Name  | Description  | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change | Since  | Previous rating |
|---|------|---|--|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------|--------|-----------------|
| Shared  | S01  | <b>Policy and legislative change</b>                          | The councils fail to adequately respond to the implications of changing national policy resulting in loss of opportunity, reputational damage or legal challenge | 5            | 4                 | 20         | 4              | 3                   | 12            | Sep-17       |        | Jun 17 | 12              |
| Current Controls : JMT forward plan, Executive and Cabinet Forward plans, Scrutiny Committees. Business and Service Planning. Business Planning meetings to brief Executive and Cabinet. 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 including lead members/portfolio holders in one to one's with JMT members. JMT undertake policy oversight role. Quarterly Health & Safety reporting.<br>Assurances : No legal challenge has been made to any decision by either Council alleging misapplication of the law<br>Risk Commentary :   |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017  |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared  | S02  | <b>Financial resilience</b>                                   | The impact of external financial shocks, new policy and increased service demand reduces the councils medium and long term financial viability                   | 4            | 4                 | 16         | 4              | 3                   | 12            | Sep-17       |        | Jun 17 | 12              |
| Current Controls : 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 Northamptonshire Finance Officers and Oxfordshire Treasurers' Association's work streams Programme management approach being taken<br>Assurances : Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees<br>Risk Commentary :  |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017  |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared  | S03  | <b>Capital investment</b>                                     | Poor investment and asset management results in the councils not maximising financial return or losing income.   | 4            | 3                 | 12         | 3              | 2                   | 06            | Sep-17       |        | Jun 17 | 06              |
| Current Controls : 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. Asset Management review and conclusions expected to be reported at both Councils by the end of the year.<br>Assurances : Budget and Financial Strategy Committee (SNC) Budget Planning Committee (CDC) Executive, Cabinet, Audit Committee and Accounts, Audit and Risk Committee, Scrutiny Committees<br>Risk Commentary :   |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017  |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared  | S07  | <b>Customer Service Improvement (including channel shift)</b> | Failure to increase internet usage or self service and improve customer service processes results in higher costs and decreased customer satisfaction            | 3            | 4                 | 12         | 3              | 4                   | 12            | Sep-17       |        | Jun 17 | 09              |
| Current Controls : Managers discuss service changes with customer service to mitigate any negative impact on customer service. Customer communications in local/residents newsletter. Customer complaints process Annual Customer Satisfaction Survey undertaken and post feedback action plan developed. JMT highlight service changes to CS team to ensure web/service team can deliver, project also part of the transformation programme with associated governance. Corporate CS standards in place. Web - Redesign of websites to go live Sept 17 with enhanced online capability. Phase 2 project to be initiated Q3/4 to improve end to end transaction - this includes online forms and payment. On going review of the web<br>Assurances : Project governance, performance management reporting, customer insight reporting.<br>Risk Commentary : Bringing Revs and Bens back in house and the subsequent change of systems to incorporate shared service has led to a back log of work. The transfer of data from one system to another has also caused some anomalies . Both have caused an increase in calls to Customer Service which although we are handling well, have impacted on the speed with which we are able to train all staff on all services for CDC and SNC. This has resulted in a delay to us taking over the calls and the face to face service for Benefits at SNC. As the new systems and ways of working bed down, training will get back on track and this shouldn't be an issue |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017  |      |   |  |              |                   |            |                |                     |               |              |        |        |                 |

## Strategic Risks

| Council Ref.  | Name   | Description  | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change | Since  | Previous rating        |
|---|--|--|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------|--------|------------------------|
| CDC   | <b>S10 Deprivation and Health Inequalities (Brighter Futures in Banbury)</b> | Failure to deliver the Brighter Futures in Banbury programme results in long term health and deprivation objectives not being met  | 4            | 3                 | 12         | 4              | 2                   | 08            | Jul-17       | ➡      | Jun 17 | 08                     |
| Current Controls : 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. Local Strategic Partnership 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.<br>Assurances : Project governance Local Strategic Partnership (LSP) oversight, Quarterly reporting Annual Report<br>Risk Commentary : |  |  |              |                   |            |                |                     |               |              |        |        |                        |
|   |  |  |              |                   |            |                |                     |               |              |        |        | Source Date 30/09/2017 |
| CDC   | <b>S11 CDC Local Plan</b>  | 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. | 5            | 4                 | 20         | 3              | 3                   | 09            | Sep-17       | ➡      | Jun 17 | 09                     |
| Current Controls : A Local Development Scheme is in place which details the timeframes and deliverables to underpin the work. Resources are in place to support delivery including QC support<br>Assurances : Consideration by Portfolio Holder, Executive and Full Council. The regulated Stages for plan preparation are set out in the published Local Development Scheme.<br>Risk Commentary : The Local Plan partial review is at Reg 19 stage and last consultation has ended. Will be submitting by end March 2018.  |  |  |              |                   |            |                |                     |               |              |        |        |                        |
|   |  |  |              |                   |            |                |                     |               |              |        |        | Source Date 30/09/2017 |
| CDC   | <b>S12 North West Bicester (Eco-town)</b>                                    | Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council   | 4            | 4                 | 16         | 3              | 3                   | 09            | Sep-17       | ➡      | Jun 17 | 09                     |
| Current Controls : 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<br>Assurances : Programme Governance Performance Management<br>Risk Commentary :   |  |  |              |                   |            |                |                     |               |              |        |        |                        |
|   |  |  |              |                   |            |                |                     |               |              |        |        | Source Date 30/09/2017 |
| CDC   | <b>S13 Bicester town centre development</b>                                  | Failure to deliver the project results in loss of economic benefit, local dissatisfaction and reputational damage to the council   | 4            | 3                 | 12         | 3              | 3                   | 09            | Sep-17       | ➡      | Jun 17 | 09                     |
| Current Controls : 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<br>Assurances : Project Governance<br>Risk Commentary : On going project and under review  |  |  |              |                   |            |                |                     |               |              |        |        |                        |
|   |  |  |              |                   |            |                |                     |               |              |        |        | Source Date 30/09/2017 |
| CDC   | <b>S14 Graven Hill</b>   | Failure to deliver the project results in severe loss of economic benefit, local dissatisfaction and damage to reputation  | 4            | 3                 | 12         | 3              | 3                   | 09            | Sep-17       | ➡      | Jun 17 | 09                     |
| Current Controls : Project Manager Project Board Companies set up Business Plan and Finance Plan being monitored<br>Assurances : Project Governance<br>Risk Commentary :  |  |  |              |                   |            |                |                     |               |              |        |        |                        |
|   |  |  |              |                   |            |                |                     |               |              |        |        | Source Date 30/09/2017 |
|   |  | Failure to deliver the   |              |                   |            |                |                     |               |              |        |        |                        |

## Strategic Risks

| Council  | Ref. | Name                               | Description   | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change | Since  | Previous rating |
|--|------|------------------------------------|---|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------|--------|-----------------|
| Shared   | S16  | <b>Transformation Programme</b>    | programme results in failure to: <ul style="list-style-type: none"> <li>• deliver savings</li> <li>• deliver the councils' commercial objectives</li> <li>• reputation damage</li> <li>• improve services and deliver efficiencies</li> </ul> | 4            | 4                 | 16         | 3              | 3                   | 09            | Sep-17       | ➡      | Jun 17 | 09              |
| Current Controls : Current: Programme plan in place Performance Management Member Governance CEO programme sponsor Dedicated programme team Future: All major proposals will be underpinned by business cases<br>Assurances : Annual Audit Quarterly performance management Monthly member oversight<br>Risk Commentary : No change. Risk remains at the same level.   |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| CDC  | S17  | <b>Build Development Programme</b> | Failure to deliver the Build! Programme resulting in financial loss, loss of economic benefit, local dissatisfaction and damage to the Council's reputation.  | 5            | 3                 | 15         | 5              | 2                   | 10            | Sep-17       | ➡      | Jun 17 | 10              |
| Current Controls : • Delivery Manager and Project Board • Legal Agreements in place for land acquisitions and contracts with consultants and contractors • Monthly project/performance reports • Business Plan and Financial Plan monitoring • Professional Construction Management • Effective Communications Management • Catastrophic would be a serious (fatal) health and safety incident which is always possible in a construction project but mitigated by sound Health & Safety procedures and Construction, Design & Management measures. • Financial risks are major given the level of investment but mitigated by budget management and professional construction management • Overall reputational risk is major given the profile of this project locally and nationally but managed by communications and strong project management.<br>Assurances : • Programme Governance • Information Management System (IMS) with the HCA • HCA Programme Audit (annually) • HCA Design and Quality Audit • Considerate constructor scheme • Fortnightly Project Boards; weekly project reviews<br>Risk Commentary : All of the remaining Phase 1 projects are on site and are due for completion by June 2018. None are self-build which lessens the risk of failure to deliver. |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| CDC  | S18  | <b>Banbury Development</b>         | The sites are complex and in multiple ownership. There are conflicting development pressures and challenges with site viability   | 4            | 4                 | 16         | 2              | 3                   | 06            | Sep-17       | ➡      | Jun 17 | 06              |
| Current Controls : Regular meetings of the Project Board Adopted Asset management Strategy and review of Council car park sites Interdependencies map produced showing progress on all major development sites in Banbury Adopted local Plan leading to Completion of Banbury Masterplan and Canalside Supplementary Planning Document (SPD)<br>Soft Market testing of sites to be concluded in February 2016<br>Assurances : Regular risk monitoring and review discussions by the project board<br>Risk Commentary :   |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| CDC  | S19  | <b>Asset Management</b>            | Failure to maximise the value of council assets through inaction, or wrong action leading to devaluation or wasted value.   | 4            | 4                 | 16         | 3              | 2                   | 06            | Sep-17       | ➡      | Jun 17 | 08              |
| Current Controls : In 2015/16 to agree and implement 1) Asset Strategy Resource Plan 2) Operational Offices Plan 3) Car Parks Plan 4) Community Buildings Plan 5) Local Centres Plan Future Controls:- In 2016/17 to agree and implement 1) Data and Systems Plan 2) Operational Depot Plan 3) Leisure Buildings Plan 4) Commercial Investment Plan<br>Assurances : At the current time an Accommodation Asset Strategy Board provides a forum for debate and discussion about property matters. The Board comprises the Lead Members for Finance and Estates/Economy. The officer support is made up of representatives of Estates, Regeneration, Housing, Finance, and Bicester. The role and responsibilities of the Board will be clarified having regard to the actions and priorities arising out of the Asset Strategy.<br>Risk Commentary : We continue to implement the Asset Management Strategy and resource plan. During this process we are engaging with other teams to ensure overall plans are considered and actioned.  |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                    |   |              |                   |            |                |                     |               |              |        |        |                 |
|  |      | <b>Oxfordshire</b>                 | The Council fails to: grasp the opportunity for transformation/reform across all agencies to benefit the local area and deliver further   |              |                   |            |                |                     |               |              |        |        |                 |

## Strategic Risks

| Council | Ref. | Name   | Description   | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change | Since  | Previous rating |
|---------|------|--|---|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------|--------|-----------------|
| Shared  | S21  | <b>Devolution Deal and Unitary Authority (ODD&amp;UA) - Stage 1 Options Appraisal Oxfordshire Devolution Deal and Unitary Authority (ODD&amp;UA)</b> | efficiencies<br>• ensure all stakeholders (internal and external) are engaged and understand options as they emerge<br>• obtain and provide all relevant data to support options appraisal<br>resulting in long term negative impact upon better outcomes for our area including quality of life for local residents, economic growth, financial sustainability and on the council's reputation itself. | 5            | 3                 | 15         | 5              | 3                   | 15            | Jul-17       | ➡      | Jun 17 | 15              |

Current Controls : • PwC appointed as independent consultants on behalf of all Oxfordshire Districts, plus West Oxfordshire and South Northamptonshire Councils. Lead Officer /S151 sign off of data. • Member with lead responsibility = Leader • Officer with lead responsibility = Head of Transformation • Regular meeting of Oxfordshire District Leaders and Chief Executives • District Councils Communications Group established • Communications and Information Sharing Protocol in place between the partners and county council • SNC Leader engaged as a key stakeholder • SNC has created a new portfolio for a member of Cabinet to be responsible for Devolution, Transformation and Change. • Phase 2 of the management review has been put on hold to minimise organisational disruption through change

Assurances : • Project timeline • Regular meetings of Leaders and Chief Executives • Regular liaison with PwC team and Oxfordshire District Councils

Risk Commentary :

Source Date 30/09/2017

## Corporate Risks

| Council Ref.   | Name                                     | Description  | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change | Since  | Previous rating |
|--|--|--|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------|--------|-----------------|
| Shared   | <b>C01 Business Continuity</b>           | Failure to ensure that critical services can be maintained in the event of an incident that has a detrimental impact on the organisations ability to operate at normal capacity; failure to have plans in place which support the process (see also C02 ICT) | 5            | 4                 | 20         | 3              | 4                   | 12            | Jul-17       | ➡      | Jun 17 | 12              |
| Current Controls : Business continuity strategy in place Services prioritised and recovery plans reflect the requirements of critical services ICT disaster recovery arrangements in place Incident management team identified in Business Continuity Strategy All services undertake annual business impact assessments and update plans<br>Assurances : There is a systematic project in place focusing on critical services to ensure that absolute requirements can be met; planned testing to be arranged.<br>Risk Commentary :   |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | <b>C04 Corporate Fraud</b>               | Lack of corporate governance and control results in fraud from either within or outside the councils heightened by the transfer of staff to the Single Fraud Investigation Service (SFIS) from February 2015.  | 4            | 4                 | 16         | 3              | 2                   | 06            | Sep-17       | ➡      | Jun 17 | 06              |
| Current Controls : Professionally qualified finance staff. Communication of anti-fraud messages. Specific corporate fraud resource within the Councils. 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. Use of internal and external audit as part of planned programme and on an ad-hoc basis as required.<br>Assurances :<br>Risk Commentary : |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | <b>C05 Managing Data and Information</b> | Poor data quality or lack of relevant information results in poor decision making  | 4            | 4                 | 16         | 2              | 3                   | 06            | Jun-17       | ➡      | Mar 17 | 06              |
| Current Controls : Audit and data quality health checks Annual target setting process Annual PMF review Data quality policies in place Quarterly performance reporting Monthly tracking of key measures with JMT/BPM.<br>Assurances : Audit, data quality checks as part of performance management framework. More regular performance reporting with more time for Strategic Insight & Intelligence team to review data and act as a 'critical friend'<br>Risk Commentary :   |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | <b>C06 Member Decision Making</b>        | That members do not have access to information and support to make effective decisions   | 4            | 4                 | 16         | 4              | 3                   | 12            | Jun-17       | ➡      | Mar 17 | 12              |
| Current Controls : Attendance of professionally qualified and experienced officers at all Member decision taking meetings. Business Planning meetings at Executive and Cabinet. Council Constitutions. Member Development Programmes. Legislative requirements. Call in processes. Sign off of Council/Executive/Cabinet/Committee reports by JMT member<br>Assurances : No decision has been made by either Council which is inconsistent with the policy framework or legal requirements<br>Risk Commentary :  |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |  |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | <b>C08 Safeguarding Children</b>         | Failure to follow our policies and procedures in relation to safeguarding children or raising concerns about children and young people welfare   | 5            | 4                 | 20         | 5              | 1                   | 05            | Jul-17       | ➡      | Jun 17 | 05              |
| Current Controls : Safeguarding lead in place and clear lines of responsibility established. Safeguarding Policy and procedures in place Information on the intranet on how to escalate a concern Staff training - new whole staff shared approach being launched in the summer. Safer recruitment practices and DBS checks for staff with direct contact Action plan developed by CSE Prevention group as part of the Community Safety Partnership Local Safeguarding Children's Board Northamptonshire (LSCBN) pathways and thresholds Data sharing agreement with other Partners Attendance at Children and Young People Partnership Board (CYPPB) Annual Section 11 return complied for each   |  |  |              |                   |            |                |                     |               |              |        |        |                 |

## Corporate Risks

| Council  | Ref. | Name                           | Description  | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change | Since  | Previous rating |
|--|------|--------------------------------|--|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------|--------|-----------------|
| council<br>Assurances : Safeguarding champions to promote the welfare of children and be a point of contact for cascading information. Annual Audit of activity JMT and LSP also have specific actions and/or meeting times JATAC (Joint Agency Tactical and Co-Ordination Meeting) at CDC where issues of CSE are currently discussed with partner agencies.<br>Risk Commentary :   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | C09  | <b>Safeguarding</b>            | Failure to:- identify safeguarding concerns and issues; use agreed protocols for escalating safeguarding concerns; use diverse community intelligence to best effect internally and externally.  | 4            | 4                 | 16         | 4              | 2                   | 08            | Jul-17       | ➡      | Jun 17 | 08              |
| Current Controls : Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group. Engagement at an operational and tactical level with relevant external agencies and networks<br>Assurances : The established "See It Report It" process has controls and monitoring arrangements for different levels in the organisation for assurance purposes<br>Risk Commentary :  |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | C10  | <b>Communications</b>          | Failures to manage internal and external communications results in reputational damage to the council or reduced performance/staff morale  | 4            | 4                 | 16         | 3              | 3                   | 09            | Sep-17       | ➡      | Jun 17 | 09              |
| Current Controls : Centralised press office function Members attributed and sign of press releases Communications plans in place for all major projects Members media training Social Media and Acceptable Use Policy in place<br>Assurances : SNC Members communications panel SNC Portfolio Holder for communications CDC lead member for communications Quarterly performance reporting CDC and SNC annual satisfaction survey includes comprehensive communications section<br>Risk Commentary :                                       |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | C11  | <b>Equalities</b>              | Failure to comply with equalities legislation results in legal challenge, costs and reputation damage  | 4            | 4                 | 16         | 4              | 3                   | 12            | Jun-17       | ➡      | Mar 17 | 12              |
| Current Controls : 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 "Knowing our Communities" at both CDC and SNC Discrimination Complaints Monitoring.<br>Assurances : Annual update to Cabinet and Executive. Quarterly performance reporting. EIA rolling programme and action plan. Virtual steering group to co-ordinate work.<br>Risk Commentary : |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Shared   | C12  | <b>Health and safety</b>       | Failure to comply with health and safety legislation leads to injury, sickness, absence and litigation against the council   | 5            | 4                 | 20         | 5              | 2                   | 10            | Sep-17       | ➡      | Jun 17 | 10              |
| Current Controls : Both Councils have shared 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<br>Assurances : BS OHSAS 18001 Occupational Health and Safety Standard, and ISO 14001 Environmental Standard.<br>Risk Commentary :  |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| Source Date 30/09/2017   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |
| CDC  | C13  | <b>Emergency Planning (EP)</b> | Failure to ensure that the local authority has plans in place to respond appropriately to a civil emergency full filing its duty as a category one responder; this could result in unnecessary hardship; risk to human welfare and the environment; legal and reputational impact. | 4            | 3                 | 12         | 4              | 3                   | 12            | Sep-17       | ➡      | Jun 17 | 12              |
| Current Controls : Emergency plan reviewed quarterly and on activation. Dedicated Emergency Planning Officer in post to review, test and exercise plan and to establish,   |      |                                |  |              |                   |            |                |                     |               |              |        |        |                 |

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## Corporate Risks

| Council Ref.   | Name | Description                                 | Gross Impact | Gross Probability | Gross Risk | Current Impact | Current Probability | Residual Risk | Last updated | Change Since | Change | Since | Previous rating |
|--|------|---|--------------|-------------------|------------|----------------|---------------------|---------------|--------------|--------------|--------|-------|-----------------|
| monitor and ensure all elements are covered. Added resilience from cover between shared Public Protection Team as officers with appropriate skill JMT regularly attend CPD training<br>Assurances : Oxfordshire County Council (OCC) EP Division have accepted our EP as being sufficient and suitable. OCC have also led on desk top studies of implementation. established proactive Thames Valley Local Resilience Forum supports Category One Response for all partners<br>Risk Commentary :                                     |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Source Date 30/09/2017   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Shared   | C15  | <b>ICT Transformation and Transition</b>    | 4            | 4                 | 16         | 3              | 3                   | 09            | Jul-17       | ➡            | Jun 17 | 09    |                 |
| Failure to deliver the IT transition project programme results in failure to: <ul style="list-style-type: none"> <li>• deliver savings through IT harmonisation</li> <li>• deliver the councils' wider strategic and commercial objectives</li> <li>• reputation damage</li> <li>• improve services and deliver efficiencies</li> <li>• deliver the channel shift programme and enhance customer access</li> <li>• Manage business continuity</li> </ul>   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Current Controls : Formal governance in place with regular reporting to Technical Design Authority and Transformation Joint Working Group.<br>Assurances : Regular updates provided to senior managers and lead members for IT. End of stage gateway reviews.<br>Risk Commentary :   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Source Date 30/09/2017   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Shared   | C17  | <b>Cyber Security</b>                       | 4            | 4                 | 16         | 3              | 4                   | 12            | Jun-17       | ➡            | Mar 17 | 12    |                 |
| If cyber security is not managed appropriately across both councils then there is a risk to data security and breaches can result in six-figure sum fines, considerable disruption and the obvious loss of reputation.   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Current Controls : 1. Reviewed weekly by security officer. 2. IT Managers work together to ensure risk is minimised.<br>Assurances : 1. The IT service will implement agreed plan to address risk. 2. Needs to be embedded at all levels in the Council. 3. will be reviewed by independent external bodies.<br>Risk Commentary :  |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Source Date 30/09/2017   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Shared   | C18  | <b>Lack of Capacity at Management Level</b> | 4            | 4                 | 16         | 3              | 3                   | 09            | Sep-17       | ➡            | Jun 17 | 09    |                 |
| Delays to completing the management restructure, including filling the role of Commercial Director, may lead to missed opportunities and delays in commercialising Council Services, could reduce income potential and reduce resilience, could create instability in transformational strategic leadership and could lead to the delay of delivery of other Council strategic priorities.   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Current Controls : Interim and act up arrangements in place to cover the role of Commercial director to ensure the Council's commercial delivery programme continues according to schedule, with appropriate backfilling of roles to ensure no loss of essential service within council functions. All other management positions are currently filled and delivering towards strategic priorities. Scrutiny of performance remains in place and resilience of management team tested regularly<br>Assurances :<br>Risk Commentary : |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |
| Source Date 30/09/2017   |      |   |              |                   |            |                |                     |               |              |              |        |       |                 |

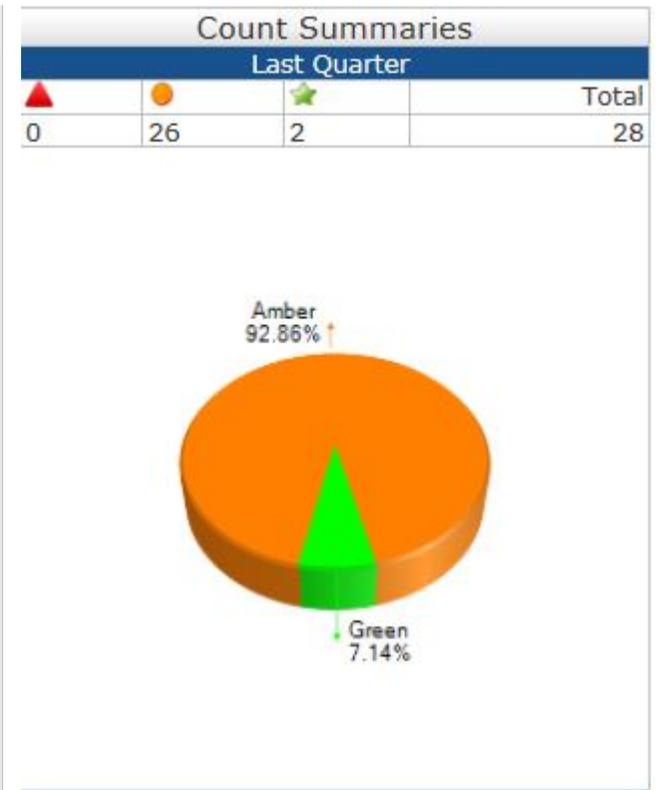
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## Partnership Risks

| Council Ref.  | Name  | Description  | Gross Impact | Gross Probability | Gross Risk   | Current Impact | Current Probability | Residual Risk  | Last updated | Change Since  | Previous rating        |  |
|---|---|--|--------------|-------------------|--|----------------|---------------------|--|--------------|---|------------------------|--|
| CDC   | <b>P01</b><br><b>Cherwell District Community Safety Partnership (CSP) &amp; PCC</b> | Failure of the partnership to meet its objectives and therefore support the Council's objectives; failure to align Police and Crime Commissioner (PCC) plan with CSP objectives/local needs; loss of funding and partner engagement. | 3            | 3                 | 09  | 2              | 2                   | 04  | Sep-17       |  | Jun 17                 | 04  |
| <p>Current Controls : Effective local Community Safety Partnership meetings Elected member representation at Police and Crime Panels (PCP) Elected Member representation at Oxfordshire Board (OSCP) arrangements. Elected Member representation at CSP Alignment with PCC Policing Plan Elected membership in accordance with agreed PCP Steering Group Policy</p> <p>Assurances : PCC subject to scrutiny by Police and Crime Panel. Cherwell DC chair of CSP sits on Police and Crime Panel and Safer Oxfordshire Partnership</p> <p>Risk Commentary :</p> |   |  |              |                   |  |                |                     |  |              |   |                        |  |
|   |   |  |              |                   |  |                |                     |  |              |   | Source Date 30/09/2017 |  |

### Appendix 3 CDC Corporate Risk Summary Table Q2

| Council | Click on risk to see controls and assurances to the left              | Last Quarter Jun 17 | Rating | Latest update | from   | Rating | Change | Risk rating last changed |
|---------|---|---------------------|--------|---------------|--------|--------|--------|--------------------------|
| Shared  | S21 - Oxfordshire Devolution Deal and Unitary Authority (ODD&UA)      | 15                  | ●      | 15            | Oct 17 | ●      | ➡      | Dec 16                   |
| Shared  | S07 - Common - Customer Service Improvement (including channel shift) | 09                  | ●      | 12            | Sep 17 | ●      | ➡      |                          |
| Shared  | S02 - Common - Financial resilience                                   | 12                  | ●      | 12            | Oct 17 | ●      | ➡      |                          |
| Shared  | S01 - Common - Policy and legislative change                          | 12                  | ●      | 12            | Oct 17 | ●      | ➡      |                          |
| Shared  | C17 - Cyber Security  | 12                  | ●      | 12            | Oct 17 | ●      | ➡      |                          |
| CDC     | C13 - Common - Emergency Planning (EP)                                | 12                  | ●      | 12            | Oct 17 | ●      | ➡      | Mar 16                   |
| Shared  | C11 - Common - Equalities   | 12                  | ●      | 12            | Oct 17 | ●      | ➡      | Mar 16                   |
| Shared  | C01 - Common - Business Continuity                                    | 12                  | ●      | 12            | Oct 17 | ●      | ➡      |                          |
| Shared  | C06 - Common - Member Decision Making                                 | 12                  | ●      | 12            | Oct 17 | ●      | ➡      |                          |
| Shared  | C12 - Common - Health and Safety                                      | 10                  | ●      | 10            | Sep 17 | ●      | ➡      |                          |
| CDC     | S17 - CDC - Build! @ Development Programme                            | 10                  | ●      | 10            | Sep 17 | ●      | ➡      |                          |
| Shared  | C15 - ICT Transformation and Transition                               | 09                  | ●      | 09            | Oct 17 | ●      | ➡      |                          |
| Shared  | S16 - Transformation Programme  | 09                  | ●      | 09            | Sep 17 | ●      | ➡      |                          |
| CDC     | S14 - CDC - Graven Hill   | 09                  | ●      | 09            | Sep 17 | ●      | ➡      |                          |
| CDC     | S13 - CDC - Bicester Town Centre Development                          | 09                  | ●      | 09            | Sep 17 | ●      | ➡      |                          |
| Shared  | C10 - Common - Communications   | 09                  | ●      | 09            | Sep 17 | ●      | ➡      |                          |
| CDC     | S11 - CDC - CDC Local Plan  | 09                  | ●      | 09            | Sep 17 | ●      | ➡      | Apr 17                   |
| CDC     | S12 - CDC - North West Bicester (Eco-Town)                            | 09                  | ●      | 09            | Sep 17 | ●      | ➡      |                          |
| Shared  | C09 - Common - Safeguarding   | 08                  | ●      | 08            | Oct 17 | ●      | ➡      | Dec 16                   |
| CDC     | S10 - CDC - Deprivation and Health Inequalities (Brighter Futures)    | 08                  | ●      | 08            | Oct 17 | ●      | ➡      | Dec 16                   |
| CDC     | S18 - CDC - Banbury Development                                       | 06                  | ●      | 06            | Oct 17 | ●      | ➡      | Dec 16                   |
| Shared  | C04 - Common - Corporate Fraud  | 06                  | ●      | 06            | Oct 17 | ●      | ➡      | Jul 16                   |
| Shared  | C05 - Common - Managing Data and Information                          | 06                  | ●      | 06            | Oct 17 | ●      | ➡      | Jun 16                   |
| CDC     | S19 - CDC - Asset Management  | 08                  | ●      | 06            | Sep 17 | ●      | ➡      | Mar 17                   |
| Shared  | C18 - Shared - Lack of Capacity at Management Level                   | 09                  | ●      | 06            | Oct 17 | ●      | ➡      |                          |
| Shared  | S03 - Common - Capital Investment                                     | 06                  | ●      | 06            | Oct 17 | ●      | ➡      |                          |
| Shared  | C08 - Common - Safeguarding Children                                  | 05                  | ★      | 05            | Oct 17 | ★      | ➡      | Dec 16                   |
| CDC     | P01 - CDC - Cherwell District Community Safety Partnership (CSP)      | 04                  | ★      | 04            | Oct 17 | ★      | ➡      | Dec 16                   |



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## Accounts, Audit and Risk Committee Work Programme 2017/18

| Date       | Agenda Items   |
|------------|--|
| 24 January | Treasury Management Strategy 2018/19<br>Treasury Management Mid Year Update 2017/18<br>Internal Audit Progress Report<br>Statement of Accounts and External Audit Update<br>Risk Review Q2 2017/18 |
| 14 March   | External Audit Report and SOA 2017/18<br>External Audit Annual Plan<br>Internal Audit Progress Report and Audit Plan<br>Corporate Fraud Q3<br>Corporate Risk Q3<br>Treasury Management Q3          |

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