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Committee:	**Accounts, Audit and Risk Committee**
Date:	**Thursday 12 April 2018**
Time:	**6.30 pm**
Venue:	**Bodicote House, Bodicote, Banbury, OX15 4AA**

Membership

Councillor Ian Corkin (Chairman)	**Councillor Hugo Brown (Vice-Chairman)**
Councillor Sean Gaul	**Councillor Mike Kerford-Byrnes**
Councillor Nicholas Mawer	**Councillor Barry Richards**
Councillor Tom Wallis	**Councillor Sean Woodcock**

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 - 4)

   To confirm as a correct record the Minutes of the meeting of the Committee held on 24 January 2018.

6. **Chairman's Announcements**

    To receive communications from the Chairman.

7. **Statement of Accounts 2016/17** (Pages 5 - 8)

    ** Please note that the appendix to this report will follow as it is currently being reviewed and finalised **

    Report on Deputy Section 151 Officer

    Purpose of report

    To obtain official sign-off by the Deputy Section 151 Officer and the Chairman of the Accounts, Audit and Risk Committee on the audited Statement of Accounts 2016/17.

    ## Recommendations

    The Accounts, Audit and Risk Committee is recommended:

    1.1   To approve the draft 2016/17 financial statements.

8. **Leadership Risk Review 2017-18** (Pages 9 - 36)

    Report of Director – Customers and Service Development

    Purpose of report

    This report summarises the Council's Risk monitoring position as at 23 March 2018 with updates to the current risk strategy.

    Recommendations

    The Accounts, Audit and Risk Committee is recommended to:

    1.1   Review the Leadership Risk Register and identify any issues for further consideration or referral to Executive.

    1.2   Note the updated Risk strategy reflecting the Leadership register amendments.

9. **Schedule of Meetings for 2018/19**

    To note the Schedule of meetings for 2018/19 (all Wednesday, 6.30pm).

    > 30 May 2018
    > 25 July 2018
    > 21 November 2018
    > 23 January 2019
    > 13 March 2019

10.   **Quarter 3 Treasury Management Report** (Pages 37 - 44)

Report of Deputy Section 151 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.

Recommendations

The meeting is recommended:

1.1   To note the contents of the third quarter (Q3) Treasury Management Report.

11.   **Exclusion of Press and Public**

The following item contains exempt information as defined in the following paragraph of Part 1, Schedule 12A of Local Government Act 1972.

3– Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members are reminded that whilst the following item has been marked as exempt, it is for the meeting to decide whether or not to consider it in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.

Should Members decide not to make a decision in public, they are recommended to resolve as follows:

"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 I, 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."

12.   **Quarter 3 Treasury Management Report - Exempt Appendix** (Pages 45 - 46)

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

Information about this Meeting

Apologies for Absence
Apologies for absence should be notified to
democracy@cherwellandsouthnorthants.gov.uk or 01295 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, 01295 227956

Yvonne Rees
Chief Executive

Published on Wednesday 4 April 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 24 January 2018 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 Tom Wallis
	Councillor Sean Woodcock
Also Present:	Tim Ridout, Assistant Director CW Audit, Internal Audit
	Neil Harris, Executive Director Ernst Young, External Auditor
Officers:	Paul Sutton, Executive Director: Finance and Governance / Section 151 Officer
	Aaron Hetherington, Democratic and Elections Officer

29 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

31 **Urgent Business**

There were no items of urgent business.

32 **Minutes**

The Minutes of the meeting of the Committee held on 22 November 2017 were agreed as a correct record and signed by the Chairman.

33 **Chairman's Announcements**

There were no Chairman's announcements.

34   **Draft Treasury Management Strategy 2018-19**

The Chief Finance Officer submitted a report which presented the draft Treasury Management Strategy Statement for 2018-19.

Resolved

(1)   That the draft Treasury Management Strategy Statement for 2018-19 be noted.

35   **Treasury Management Mid-Year Report for the 6 months ended 30 September 2017**

The Chief Finance Officer submitted a report which presented information on treasury management performance and compliance with treasury management policy for 2017-18 as required by the Treasury Management Code of Practice.

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

Resolved

(1)   That the contents of the mid-year Treasury Management Report be noted.

36   **Internal Audit Progress Report**

The Executive Director of Finance & Governance submitted a report to brief the Committee on the work carried out by the Internal Audit Service during the current financial year 2017/18.

Resolved

(1)   That the contents of the Internal Audit progress report be noted.

(2)   That the actions to address control weaknesses identified by internal audit be noted.

37   **Statement of Accounts and External Audit Update**

The Executive Director – Finance and Governance submitted a report to provide a progress update on the Statement of Accounts 2016/17 and external audit of the Accounts.

Resolved

(1)   That the progress on finalising the Statement of Accounts for 2016/17 and on the external audit of the Statement of Accounts be noted.

38   **Quarter Two Risk Review 2017-18**

The Director - Strategy and Commissioning submitted a report to update the Committee on the management of Strategic risks during quarter two of 2017/18.

Resolved

(1)   That, having given due consideration, the full Strategic Risk Register for 2017/18 be noted and no issues be identified for further consideration or referral to Executive.

(2)   That the risk exceptions highlighted be noted.

39   **Work Programme**

The Committee considered its work programme.

Resolved

(1)   That the work programme be noted.

The meeting ended at 8.06 pm

Chairman:

Date:

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Cherwell District Council

Accounts, Audit and Risk Committee

12 April 2018

Statement of Accounts 2016/17

Report of the Deputy Section 151 Officer

This report is public

Purpose of report

To obtain official sign-off by the Deputy Section 151 Officer and the Chairman of the Accounts, Audit and Risk Committee on the audited Statement of Accounts 2016/17.

1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended:

1.1 To approve the draft 2016/17 financial statements.

2.0 Introduction

2.1 The preliminary Statement of Accounts 2016/17 was reported to the Committee at its June 2017 meeting, and subsequently in January 2018.

2.2 The external auditors queried the significant year-on-year reduction in valuation of assets contained in the 2016/17 accounts. The Council's new valuers, Montagu Evans, had discounted asset values substantially and entries had been made in the accounts on this basis.

2.3 The two key outstanding issues were:

- Significant changes to the valuation of fixed assets

- A change in the categorisation of certain assets to recognise the Council's control over and residual interest in them.

These changes have now been fully incorporated in the draft 2016/17 accounts and key judgements have been made in relation to service concessions on assets.

3.0   Report Details

3.1   The Council entered into a contract (service operating agreement) relating to its leisure centre assets, with Parkwood Leisure (originally with Cherwell Leisure Ltd), in 2008.

3.2   The Council has since 2008 disregarded the Project Agreement in valuing and accounting for its leisure assets.

3.3   The auditors queried the significant year-on-year reduction in valuation of assets contained in the arrangement between the Council and Parkwood Leisure in 2016/17 accounts.

3.4   The Council's new valuers, Montagu Evans, had discounted asset values substantially on the basis of the leases in place between the Council and Parkwood Leisure Ltd and entries had been made in the accounts on this basis. The Council's view is that the substance of the transaction leaves control of the assets in its hands (whilst the form of the lease gives control to Parkwood Leisure Ltd) thus removing the need to discount asset values.

3.4   Considerable work has been required to justify the accounting treatment of the assets concerned. The Council's external auditor has reviewed the justification provided by the Council for not discounting the value of assets included in the Project Agreement and, has now indicated that the revised entries of asset values in the accounts is correct.

3.5   Officers have corrected the asset values in accordance with Montagu Evans' revised valuations for 2016/17.

3.6   The revised asset valuations have had a significant impact on the statement of accounts, and the workload relating to this has been substantial.

3.7   It is expected at the time of writing this report that the Council will receive an unqualified opinion on the 2016/17 financial statements and a modified value for money opinion which reflects the causes of the delay in finalising the statement of accounts.

4.0   Conclusion and Reasons for Recommendations

4.1   The Accounts, Audit and Risk Committee needs to approve the amendments to the 2016/17 financial statements before the accounts can be signed and published.

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 changes to the draft accounts. Not supported any as changes to the draft accounts would be subject to external audit.

7.0 Implications

Financial and Resource Implications

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

Comments checked by: Kelly Watson, Assistant Director of Finance and Procurement, 0300 003 0206, Kelly.watson@cherwellandsouthnorthants.gov.uk

Legal Implications

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

Comments checked by: James Doble, Assistant Director Law and Governance, 0300 003 0207, james.doble@cherwellandsouthnorthants.gov.uk

Risk Management Implications

7.3 There are no risk management issues arising directly from this report, these are managed operationally and will be escalated as and when required.

Comments checked by: Louise Tustian, Team Leader, Strategic Intelligence & Insight Team, louise.tustian@cherwellandsouthants.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Statement of Accounts 2016/17 (to follow)
Background Papers	
None	
Report Author	Cecilie Booth, Deputy Section151 Officer
Contact Information	cecilie.booth@Cherwellandsouthnorthants.gov.uk 01295 221731

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Cherwell District Council

Accounts, Audit and Risk Committee

12 April 2018

Leadership Risk Review 2017-18

Report of Director – Customers and Service Development

This report is public

Purpose of report

This report summarises the Council's Risk monitoring position as at 23 March 2018 with updates to the current risk strategy.

1.0 Recommendations

The Accounts, Audit and Risk Committee is recommended to:

1.1 Review the Leadership Risk Register and identify any issues for further consideration or referral to Executive.

1.2 Note the updated Risk strategy reflecting the Leadership register amendments.

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. Risks are reviewed alongside performance of the business plan objectives, projects and work programmes.

2.2 The Leadership Risk register is reviewed on a regular basis, undertaken by the Accounts, Audit and Risk Committee and reviewed monthly by the Corporate Executive Direct Reports (CEDR). This takes the form of reviewing the Leadership risk register updates, any score changes, mitigation and/or control updates. Operational risks are reviewed at departmental level, discussed as part of Directorate management meetings (DMT) but can be escalated to CEDR for discussion of adding to the Leadership risk register when required.

2.3 Leadership risks are risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its strategic priorities. Operational risks are risks affecting corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.

2.4   This is the first report of the new Leadership risk register 2017/18. This report contains all of the Leadership risks with the most recent comments reflecting any updates.

2.5   The Risk and Opportunities Management Strategy has been updated for 2017/18 to better reflect the Councils' risk appetite, attitude to risk and changes to the information management and data collection system that underpins the process. The strategy also captures the regular review of the Leadership risk register at CEDR alongside performance and financial updates.

2.6   This report focusses on the Leadership risks across both Cherwell District Council and South Northamptonshire Council.

2.7   The following key applies to the remainder of the report and associated appendices.

Risk Scorecard – Residual Risks					
		Probability			
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Impact	5 - Catastrophic	green	amber	amber	red	red
	4 - Major	green	amber	amber	red	red
	3 - Moderate	green	green	amber	amber	amber
	2 - Minor	green	green	green	amber	amber
	1 - Insignificant	green	green	green	green	green

Level of risk	How the risk should be managed
High Risk (16-25)	**Requires active management** to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Medium Risk (10 -15)	**Contingency Plans** - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
Low Risk (1 – 9)	**Good Housekeeping** - 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.

Risk Definition	
Strategic	Risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its strategic priorities
Operational	Risks to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services

3   Report Details

3.1   This report focusses on the Leadership risks across both Cherwell District Council and South Northamptonshire Council.

3.2   The Leadership risk register currently has **13** risks, across both councils, these consist of Financial resilience, Statutory functions, Lack of management capacity, CDC & SNC Local plans, Business continuity, Partnering, Emergency Planning, Health & Safety, Cyber Security and Safeguarding the Vulnerable,

Income generation, Financial sustainability of third party suppliers and Local Government Resilience risks.

3.3   There are currently **no** residual risks rated as high risk (scoring 16-25 requires active management), **12** risks are rated as Medium risk (scoring 10-15 contingency plans) and **one** risk rated as Low risk (scoring 1-9 good housekeeping).

3.4   The table below shows the **13** Leadership risks by residual risk scoring. Each risk is identified by the number within the register.
Eg. **L01 Financial Resilience** has been scored 3x3 = 9 and is captured as a moderate impact, possible probability in the table below.

Risk Scorecard – Residual Risks					
		Probability			
		1 - Remote	**2 - Unlikely**	**3 - Possible**	**4 - Probable**	**5 - Highly Probable**
Impact	**5 - Catastrophic**					
	4 - Major		L04, L11			
	3 - Moderate		L03	L01, L02, L10, L12	L05, L06, L07, L08, L13	L09
	2 - Minor					
	1 - Insignificant					

3.5   The Leadership risk register has been reviewed by the risk owners and risk managers and discussed at CEDR. As this is the first report of the Leadership risk register there are no updates with regard to direction of travel. Any changes to scores will be reflected in this report to each committee.

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 Leadership 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.

5.0   Consultation

5.1   CDC Accounts, Audit and Risk Committee and SNC Audit Committee have been consulted on the development of the Leadership Risks and the updated 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:
Cecilia Booth, Deputy Section 151 Officer, 01295 227946,
Cecilie.booth@cherwellandsouthnorthants.gov.uk

Legal Implications

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

Comments checked by:
Nigel Bell, Team Leader – Planning & Litigation, 01295 221687
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 Performance

Document Information

Appendix No	Title
1	Leadership Risk Register
2	Shared Risk & Opportunities Strategy
Background Papers	
None	
Report Author	Louise Tustian, Team Leader, Strategic Intelligence & Insight Team
Contact Information	Louise.tustian@cherwellandsouthnorthants.gov.uk 01295 221786

Level of risk	How the risk should be managed
High Risk (16-25)	**Requires active management** to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Medium Risk (10 -15)	**Contingency Plans** - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
Low Risk (1 – 9)	**Good Housekeeping** - 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.

Risk Scorecard – Residual Risks						
		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Impact	5 - Catastrophic					
	4 - Major		L04, L11			
	3 - Moderate		L03	L01, L02, L10, L12	L05, L06, L07, L08, L13	L09
	2 - Minor					
	1 - Insignificant					

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Risk Definition	
Leadership	Strategic risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its corporate priorities
Operational	Risks to systems or processes that underpin the organisation's governance, operation and ability to deliver services

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Ref	Name and Description of risk	Potential impact	Probability	Impact	Rating	Controls	Control assessment	Lead Member	Risk owner	Risk manager	Probability	Impact	Rating	Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
L01	**Financial resilience –** Failure to react to external financial shocks, new policy and increased service demand. Poor investment and asset management decisions.	Reduced medium and long term financial viability; Reduction in services to customers; Continued reliance on central govt (RSG) and therefore reduced opportunity for independent decision making; Reduced financial returns (or losses) on investments/assets; Inability to deliver financial efficiencies; Inability to deliver commercial objectives (increased income); Poor customer service and satisfaction; Increased complexity in governance arrangements; Lack of officer capacity to meet service demand	4	4	16	Medium Term Revenue Plan reported regularly to members. (Fully); Efficiency plan in place and balanced medium term (Fully); Highly professional, competent, qualified staff (Partially); Good networks established locally, regionally and nationally (Fully); National guidance interpreting legislation available and used regularly (Partially); Members aware and are briefed regularly (Partially); Participate in Northamptonshire Finance Officers and Oxfordshire Treasurers' Association's work streams (Fully); Programme management approach being taken (Partially); Treasury management policies in place (Fully); Investment strategies in place (Partially); Regular financial and performance monitoring in place (Partially); Independent third party advisers in place (Fully); Regular bulletins and advice received from advisers (Fully); Property portfolio income monitored through financial management arrangements on a regular basis (Partially); Asset Management Strategy in place and embedded. (Partially); Transformation Programme in place to deliver efficiencies and increased income in the future (Partially)		Councillor Tony Illot; Councillor Peter Rawlinson	Cecilie Booth	Kelly Watson	3	3	9	↔	AD Finance and Governance recruited. Investment strategy for both authorities to be approved in 18/19 budget cycle. Timeliness and quality of budget monitoring particularly property income and capital to be improved. Project with Civica is ongoing. Asset Management Strategy to be reviewed and refreshed in the new year. Review of BUILD! to ensure procurement and capital monitoring arrangements are in place and development of forward programme.	Reviewed - Owner changed	Owner changed 23/3/18
L02	**Statutory functions –** Failure to meet statutory obligations and policy and legislative changes are not anticipated or planned for.	Legal challenge; Loss of opportunity to influence national policy/legislation; Financial penalties; Reduced service to customers	3	4	12	Embedded system of legislation and policy tracking In place, with clear accountabilities, reviewed regularly by Directors (Partially); Clear accountability for responding to consultations with defined process to ensure Member engagement (Fully); National guidance interpreting legislation available and used regularly (Fully); Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed (Partially); Clear accountability for horizon scanning, risk identification/categorisation/escalation and policy interpretation in place (Partially); Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit (Partially); Internal Audit Plan risk based to provide necessary assurances (Partially); Strong networks established locally, regionally and nationally to ensure influence on policy issues (Fully); Senior Members aware and briefed regularly in 1:1s by Directors (Partially)		Councillor Barry Wood; Councillor Ian McCord	Yvonne Rees	Claire Taylor	3	3	9	↔	Establish corporate repository and accountability for policy/legislative changes; Review Directorate/Service risk registers; Ensure Committee forward plans are reviewed regularly at CEDR level; Ensure Internal Audit plan focusses on key leadership risks; Develop stakeholder map, with Director responsibility allocated for managing key relationships; Standardise agendas for Director/PFH 1:1s; New NPPF published 05/03/18 will guide revised approach to planning policy and development management.	Service risk registers being reviewed as part of service planning. Internal Audit Plan being aligned to Leadership Risk Register and to be agreed at Audit Committees in	Risk reviewed 23/3/18
L03	**Lack of Management Capacity -** Delays to completing the management restructure reduces capacity at management level	Financial impact due to use of agency staff; Inability to deliver council's plans; Inability to realise commercial opportunities or efficiencies; Reduced resilience and business continuity; Reduced staff morale and uncertainty may lead to loss of good people	3	4	12	Rigorous and aggressive assessment and recruitment timetable for senior management roles (Fully); Arrangements in place to source appropriate interim resource if needed (Fully); Delegations to Chief Exec agreed to ensure timely decisions (Fully); HR/Specialist resource in place to support recruitment process and manage implications (Fully); Ongoing programme of internal communication (Fully)		Councillor Barry Wood; Councillor Ian McCord	Yvonne Rees	Claire Taylor	2	3	6	↔	Discussions with Penna to ensure rapid response should interim resource be required; AD HR/OD briefed and leading the process; Communications to be delivered by CEO	All Director positions filled on either permanent or interim AD roles currently being recruited to. Regular comms being provided by CEx	Owner changed 23/3/18
L04	**CDC & SNC Local Plans -** Failure to ensure sound local plans are submitted on time for each District.	Inappropriate growth in inappropriate places; Negative (or failure to optimise) economic, social, community and environmental gain; Negative impact on each council's ability to deliver its strategic objectives; Increased costs in planning appeals; Possible financial penalties through not delivering forecasted New Homes Bonus	3	5	15	Local Development Schemes are in place at each Council which detail the timeframes and deliverables to underpin the work (Fully); Resources are in place to support delivery including QC support for each Local Plan. For issues which are solely within the control of SNC or CDC policies, plans and resources are in place (Partially); Work is at Reg 19 on Cherwell Partial Review, preparing submission plan for Feb 2018 sign off and to re-commence in 2018 on Local Plan part 2. (Partially); Work is advancing to Reg 19 stage On South Northants Local Plan part 2 on issues for reps, policies and development control policies. (Fully); Statements of Community Involvement are in place. (Fully)		Councillor Colin Clarke; Councillor Roger Clarke	Adrian Colwell	Andy Darcy (SNC); David Peckford (CDC)	2	4	8	↔	Regular review meetings on progress and critical path review at each Council; Regular Portfolio briefings and political review; LDS updated as required; Additional evidence commissioned as required; Need to review resources at CDC to speed up Local Plan part 2.; Submission of the CDC partial review took place on 05/03/18.	Reviewed - Additional mitigating action updated	Risk reviewed 23/3/18

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls) Probability	Impact	Rating	Controls	Control assessment (Fully effective / Partially effective / Not effective)	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Probability	Impact	Rating	Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
L05	**Business Continuity -** Failure to ensure that critical services can be maintained in the event of an incident	Inability to deliver key services to customers/residents Financial loss	4	4	16	Business continuity strategy in place — Partially; Services prioritised and recovery plans reflect the requirements of critical services — Partially; ICT disaster recovery arrangements in place — Partially; Incident management team identified in Business Continuity Strategy — Partially; All services undertake annual business impact assessments and update plans — Partially	(see controls)	Councillor Kieron Mallon Councillor Phil Bignell	Richard Ellis	Jackie Fitzsimons	4	3	12	↔	All individual service BC plans recently updated; Corporate BC to be reviewed; Testing to be programmed; BC solutions between both councils to be further developed; Corporate ownership and governance to sit at CEDR; Place & growth directorate audit of existing business continuity plans to ensure 100% coverage in new directorates.	Reviewed - Additional mitigating action updated - AC 06/03/18	Owner changed 23/3/18
L06	**Partnering -** Financial failure of a public sector partner organisation Failure to build the necessary partnership relationships to deliver our strategic plan. Failure to ensure the necessary governance of third party relationships (council businesses, partners, suppliers)	resulting in an unplanned increase in demand on district functions leading to service difficulties. Impact on the future viability of the organisation causing uncertainty for service delivery. Threat to existing joint working partnership initiatives if alternative delivery modes are imposed. Poor service delivery Inability to deliver council's plans and outcomes for communities Legal challenge Financial loss Inability to partner in the future Reduced opportunity for inward investment in the future	4	4	16	Leader and CEO engaging at National and county level to mitigate impacts of potential service reductions for residents — Partially; Stakeholder Map, allocating responsibility for key relationships at Director/PFH level — Partially; Regular review and sharing of partnership activity/engagement at CEDR/BPM meetings — Partially; Robust governance/contract management framework in place for key third party relationships — Partially; Training and development of senior officers/members to fulfil their responsibilities with partner organisations — Partially	(see controls)	Councillor Barry Wood Councillor Ian McCord	Yvonne Rees	Richard Ellis	4	3	12	↔	Develop stakeholder Map; Standard agenda item at CEDR; Develop governance guidelines for all key third party relationships; Review existing arrangements/ contracts to ensure appropriate governance	Review of Third party governance to be completed by end of March 2018	Risk reviewed 23/3/18
L07	**Emergency Planning (EP) -** Failure to ensure that the local authority has plans in place to respond appropriately to a civil emergency fulfilling its duty as a category one responder	Inability of council to respond effectively to an emergency Unnecessary hardship to residents and/or communities Risk to human welfare and the environment Legal challenge Potential financial loss through compensation claims Ineffective Cat 1 partnership relationships	4	4	16	Emergency plan reviewed quarterly and on activation — Partially; Dedicated Emergency Planning Officer in post to review, test and exercise plan and to establish, monitor and ensure all elements are covered — Fully; Added resilience from cover between shared Public Protection Team as officers with appropriate skill — Fully; JMT regularly attend Civil Emergency training — Partially; Twice yearly mock emergency exercises conducted to ensure readiness — Partially; On-call rota established for Duty Emergency Response Co- ordinators (JMT) — Partially; Full participation in LRF activities — Not effective	(see controls)	Councillor Kieron Mallon Councillor Phil Bignell	Richard Ellis	Jackie Fitzsimons	4	3	12	↔	To be updated when new management structure is in place; New call out arrangements to be established; New annual training regime for GS&B officers to be set up; Training monitoring to be developed through new HR/Payroll system; Member training for disaster recovery and comms	Reviewed - no change	Risk reviewed 23/3/18
L08	**Health and safety** - Failure to comply with health and safety legislation, corporate H&S policies and corporate H&S landlord responsibilities	Fatality, serious injury & ill health to employees or members of the public Criminal prosecution for failings Financial loss due to compensation claims Enforcement action – cost of regulator (HSE) time Increased sickness absence Increased agency costs Reduction in capacity impacts service delivery	5	4	20	Robust Health & Safety policies and Corporate H&S arrangements in place as part of an Integrated H&S Management System — Partially; Clearly identified accountability and responsibilities for Health and Safety established at all levels throughout the organisation — Not effective; Corporate H&S Manager & H&S Officer in post to maintain the H&S Management System & provide competent H&S advice & assistance to managers & employees — Fully; Directorate Health & Safety Improvement Plans established with embedded reporting and recording arrangements in place — Not effective; Proactive monitoring of Health & Safety performance management internally — Partially; Proactive monitoring of Health & Safety performance management externally — Fully; Effective training regime in place for all staff — Partially; Positive Health & Safety risk aware culture — Partially; Corporate Health & Safety meeting structure in place for co-ordination and consultation — Fully; Corporate body & Member overview of Health & Safety performance via appropriate committee — Fully; Assurance that third party organisations subscribe to and follow Council Health & Safety guidelines and are performance managed where required — Partially	(see controls)	Councillor Kieron Mallon Councillor Dermot Bambridge	Cecilie Booth	Mark Willis	4	3	12	↔	Corporate H&S Policy to be developed & implemented across the organisation to ensure that roles & responsibilities at all levels are discharged effectively. Policy to be developed following Directorate H&S Improvement Plans to be produced. Action plan for Environmental Services has been drafted and is with the management team for review. Expand scope of internal audits to cover all elements of the H&S Management System Management of H&S training programme to be developed and rolled out. Robust training already in place in Environmental Services Good awareness in higher risk areas of the business,e.g. Environmental Services. However other areas need improved awareness of risk assessment process Reviews of leases and performance monitoring to be reviewed to satisfy the Councils providers/ contractors are managing significant risks.	OHSAS 18001 Health & Safety Management System accreditation achieved through Exova BM Trada. Annual surveillance visits undertaken to supplement main accreditation visits. CEDR Meeting receives quarterly updates from Corporate H&S Manager. Relevant updates taken to appropriate committee.	Owner changed 23/3/18

Ref	Name and Description of risk	Potential impact	Probability	Impact	Rating	Controls	Control assessment (Fully effective / Partially effective / Not effective)	Lead Member	Risk owner	Risk manager	Probability	Impact	Rating	Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
L09	**Cyber Security** - If there is insufficient security with regards to the data held and IT systems used by the councils and insufficient protection against malicious attacks on council's systems then there is a risk of: a data breach, a loss of service, cyber- ransom.	Service disruption Financial loss / fine Prosecution – penalties imposed Individuals could be placed at risk of harm Reduced capability to deliver customer facing services Unlawful disclosure of sensitive information Inability to share services or work with partners Loss of reputation	4	5	20	File and Data encryption on computer devices	Fully	Councillor Mike Kerford-Byrnes Councillor Phil Bignell	Claire Taylor	Tim Spiers	3	5	15	⟷	We are working with a security company to review our cyber security status and achieve the cyber essentials + accreditation. A pre-audit report has been undertaken and we are addressing findings ahead of full review. The IT service are addressing the areas identified and will be ready for full audit in April 2018. This work is underway and the outcomes are expected in February 2018 This will provide an action plan against any control issues identified Cyber-security was reviewed by Internal Audit in May 2017 and will be reviewed again in April 2018. HR also have actions to complete regarding recruitment and processes identified by Internal Audit. The IT Transformation Programme includes migrating server rooms to external data centre which will increase physical security. As part of this work improved monitoring solutions will also be implemented. The data centre has successfully completed provisioning phase. The Councils will also be completing the annual independent IT security health check in quarter 1 2018. Preparation for this work	Cyber security incidents are inevitable. The only way to manage this risk is to have effective controls and mitigations in place including audit and review. Staff and member briefings covered phishing March 2018. Mitigating Actions updated	Risk reviewed 23/3/18
						Managing access permissions and privileged users through AD and individual applications	Fully										
						Consistent approach to information and data management and security across the councils	Partially										
						Effective information management and security training and awareness programme for staff	Partially										
						Password security controls in place	Fully										
						Robust information and data related incident management procedures in place	Partially										
						Appropriate robust contractual arrangements in place with all third parties that supply systems or data processing services	Partially										
						Appropriate plans in place to ensure ongoing PSN compliance	Fully										
						Adequate preventative measures in place to mitigate insider threat, including physical and system security	Partially										
						Insider threat mitigated through recruitment and line management processes	Partially										
L10	**Safeguarding the vulnerable (adults and children)** - Failure to follow our policies and procedures in relation to safeguarding vulnerable adults and children or raising concerns about their welfare	Increased harm and distress caused to vulnerable individuals and their families Council could face criminal prosecution Criminal investigations potentially compromised Potential financial liability if council deemed to be negligent	3	4	12	Safeguarding lead in place and clear lines of responsibility established	Fully	Councillor Barry Wood Councillor Ian McCord	Richard Ellis	Nicola Riley	3	3	9	⟷	Ongoing internal awareness campaigns Ongoing external awareness campaigns Annual refresher and new training programmes Training monitoring to be developed through new HR/Payroll system	Continued focus in this area with ongoing programme of training and awareness raising.	Risk reviewed 23/3/18
						Safeguarding Policy and procedures in place	Fully										
						Information on the intranet on how to escalate a concern	Partially										
						Staff training - new whole staff shared approach being launched in the summer	Partially										
						Safer recruitment practices and DBS checks for staff with direct contact	Partially										
						Action plan developed by CSE Prevention group as part of the Community Safety Partnership	Partially										
						☐ Local Safeguarding Children's Board Northamptonshire (LSCBN) pathways and thresholds	Fully										
						Data sharing agreement with other partners	Partially										
						Attendance at Children and Young People Partnership Board (CYPPB)	Fully										
						Annual Section 11 return complied for each council	Fully										
						Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group	Fully										
						Engagement at an operational and tactical level with relevant external agencies and networks	Partially										
L11	**Income Generation through council owned companies**	Through failure of governance or robust financial / business planning the councils fail to generate expected income.	3	4	12	Annual business planning	Partially	Councillor Tony Illot Councillor Peter Rawlinson	Cecilie Booth	Kelly Watson	2	4	8	⟷	Recruiting to support shareholder and client side capacity	Resources to be in place March 2018	Risk reviewed 23/3/18
						Financial planning	Partially										
						Corporate governance mechanisms	Partially										
						Due diligence	Partially										
						Business casing	Partially										
L12	**Financial sustainability of third party suppliers**	The financial failure of a third party supplier results in the inability or reduced ability to deliver a service to customers.	3	4	12	Contracts in place to cover default.	Partially	Councillor Tony Illot Councillor Peter Rawlinson	Cecilie Booth	Kelly Watson	2	4	8	⟷	Meetings planned with suppliers to review higher risk areas.	Risk recently escalated due to external environment whereby suppliers have financial difficulties which could result in loss of service. Current work investigating impact across contracts.	Risk reviewed 23/3/18
						Business continuity planning	Partially										
L13	**Local Government Reorganisation** - Proposals for local government reorganisation impacts on the provision of services to residents and communities.	Inability to deliver Council priorities and plans, impacting on quality of services delivered to residents and communities. Uncertainty impacts on staff morale and productivity, resulting in lower quality of services delivered. Resources diverted away from the delivery of services in order to develop and implement any emerging proposals. Threat to existing joint working partnership initiatives and quality of services provided if alternative delivery models are proposed and implemented. Reduced service delivery at the county level impacts on residents, creating increased customer demand.	4	4	16	Leaders and CEO engaging at national and county level to mitigate impacts of potential service reductions for residents.	Partially	Councillor Barry Wood Councillor Ian McCord	Yvonne Rees	Claire Taylor	4	3	12	New	Standing item at CEDR and BPM meetings - monthly review of risk and control measures. Risk to be reflected in operational service plans.	Risk added to resister following NCC report.	New Risk Added 23/03/2018
						Advocating and influencing the outcome of regional proposals to secure best outcome for residents and communities.	Partially										
						Co-ordinating with other districts and public sector partners to look at options to ensure minimal impact on service delivery.	Partially										
						Communication campaigns for residents, members and staff to reduce uncertainty.	Partially										
						Allocate dedicated and additional resources to development and implementation of any proposals.	Partially										
						Regular review and sharing of emerging proposals and partnership activity/engagement at CEDR/BPM meetings.	Partially										

Risk and Opportunities Management Strategy

2018/19

Owner: Section 151 Officer/Director of Customer & Service Development.
Author: Strategic Intelligence & Insight Team Manager
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Version History:

Version	Date	Section	Reviewer	Description of Amendment
0.1	28/02/2018	ALL	Louise Tustian (Strategic Intelligence & Insight Team Leader)	• Minor amendments throughout • Adaptation of strategy to reflect new senior management structure and implementation of new Leadership Risk Register
0.2	01/03/2018	ALL	Rakesh Kumar (Strategic Intelligence & Insight Team Manager)	• Minor amendments • Inclusion of version history • Update to 1.5 Risk Appetite following feedback from the Director – Customer Services and Service Developments
0.3	01/03/2018	ALL	Claire Taylor (Director of Customer & Service Development)	• Minor amendments throughout
0.4	04/04/18	All	Louise Tustian (Strategic Intelligence & Insight Team Leader)	• Minor amendments

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Section 1: Introduction

1.1 An overview of Risk Management

This strategy outlines the overall approach to risk and opportunities management for Cherwell District and South Northamptonshire councils.

The fundamental aim of the risk management strategy is to help both councils identify and manage risk especially with regards to those risks (both financial and non-financial) that may have an impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its strategic priorities. .

Risk management is recognised as being concerned with both the positive and negative aspects of risk; that is to say opportunities as well as threats. This strategy therefore applies to risk from both perspectives.

Risk, can therefore be defined as:

> "an uncertain event or set of events that, should it occur will have an effect (positive or negative) on the achievement of the councils' objectives, performing its duties or meeting the expectations of its stakeholders"

Both Councils are aware that risks will always arise and most risks cannot be fully eliminated, only managed to an acceptable level. Within this context the councils' are committed to managing risk in order to reduce the impact on the organisations their priorities and on service provision.

Risk management will be embedded within the daily operations of the councils, from strategy and policy formulation through to business planning and general management processes. It will also be applied where the councils work in partnership with other organisations, to ensure that partnership risks are identified and managed appropriately.

Through understanding risks, decision-makers (councillors and managers) will be better able to evaluate the impact of a particular decision or action on the achievement of the councils' strategic priorities. .

1.2 Benefits of Risk Management

Effective risk management is an important part of corporate governance, performance management and financial planning. It adds value by:

- raising awareness of significant risks with priority ranking assisting in the efficient control of the risks
- allocating responsibility and accountability for risks and associated controls and any actions required to improve controls
- aiding the process of strategic and business planning
- identifying new opportunities and supporting innovation
- providing a framework for the for the effective management of Leadership risks
- aiding effective partnership working, particularly in terms of identifying shared risks

1.3 Strategy Objectives

The objectives of the Risk and Opportunities Management Strategy are to:

- maintain a register that identifies, assesses and ranks all Leadership risks and opportunities facing both councils, which will assist the councils in achieving their strategic priorities through pro-active risk management

- rate all significant risks in terms of likelihood of occurrence and potential impact upon the councils and ensure effective controls are in place to mitigate significant risks

- allocate clear ownership, roles, responsibilities and accountability for risk management

- facilitate compliance with best practice in corporate governance, which will support the Annual Governance Statements (issued with the annual statement of accounts)

- raise awareness of the principles and benefits involved in the risk management process, and to obtain staff and Member commitment to the principles of risk management and control

- ensure that good quality risk information is provided to the Chief Executive Direct Reports (CEDR) and Members, providing a framework for assurance that the controls identified to mitigate a risk are operating effectively

1.4 Risk Appetite

Risk management should not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. Both councils' aim to proactively identify, understand and manage the risks inherent in services and associated with business/service plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to achieve measurable value. The councils provide for a supportive culture but will not support reckless risk taking.

As such, both Cherwell District and South Northamptonshire Councils will use risk management to add value. They will aim to achieve a balance between under-managing risks (i.e. being unaware of risks and therefore having little or no control over them), and over-managing them (i.e. a resource heavy and bureaucratic level of management and control which could stifle innovation and creativity).

Appropriately managed and controlled risk-taking and innovation will be encouraged where it supports the delivery of the councils' strategic priorities

Particular focus will be on the councils' ambitions for increasing income generation and self-sufficiency through sound investments, effective asset management, commercialisation opportunities and programmes of regeneration.

Any risks associated with these plans will be managed through the appropriate mechanisms, ensuring due diligence has taken place; these include sound business cases, effective project management and working with external partners for specialist advice. Channels will be in place to report risks into the relevant management and democratic committees to ensure full transparency and allow any actions to be taken as necessary.

1.5 Embedding Risk Management

Risk Management is a standing item on the CEDR agenda (monthly basis) and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted regularly. Risks can be escalated at any point to CEDR (who meet regularly) to discuss and make a decision as to whether the risk is a Leadership risk or should be managed at an operational level.

Risk is reported to SNC cabinet & CDC executive as part of an integrated budget performance and risk framework. This ensures strategic risks are owned by the relevant lead members/portfolio holders.

The SNC Audit Committee and the CDC Accounts, Audit and Risk Committee receive regular risk management updates and review the Leadership risk register annually. This scrutiny of risk ensures there is senior officer level and political commitment to effective risk management.

The inclusion of risk registers within service plans and risk logs in key programmes and projects seeks to reinforce the importance of assessing and being aware of the risks associated with each service and major projects. Key operational risk management activities should be included within service plans and progress monitored at Directorate level meetings. As such the integration of risk into business planning, strategic priorities and performance management is an essential part of the drive to embed risk management.

Activities such as training, communication and clear risk management support arrangements help to embed risk. The following summarises key activities to be undertaken to ensure risk management is embedded across the councils:

1. A monthly review of the Leadership risk register updates at CEDR who take responsibility for ensuring that management actions highlighted in the risk registers are implemented

2. The Leadership risk review is presented to the relevant council committees to ensure Councillors have good access to risk information

3. Risk management and risk escalation awareness training sessions will be facilitated for Councillors and employees.

4. An internal audit of risk management will take place annually.

5. A process of annual review is undertaken by CEDR to ensure the Leadership risk register remains up to date and that obsolete risks are removed.

6. Officer working group to be set up to embed, review and develop risk practices. Operational and Leadership risks to be discussed as appropriate and ensure officers have the necessary training.

7. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

Section 2: Risk Management Processes

2.1 The Risk Management Process

Risk Management follows a four stage process. Identifying risks, assessing risks, managing and controlling risks and reviewing and reporting risks.

Each of these four stages is set out in more detail and in the accompanying risk management handbook.

The most significant feature of this process is that risk management is seen as a comprehensive management process that helps both councils meet their objectives and avoid issues, losses and situations that could result in failing to meet strategic priorities, failure of corporate systems or failure of significant partnerships, services, programmes and projects.

To ensure this process is effectively undertaken the councils maintain and review a register of their Leadership risks and opportunities and where possible link them to strategic business priorities.

Ownership is assigned for each risk and also has a Manager of the risk. CEDR identifies risks, reviews the register and both councils have committees that also undertake a monitoring and oversight role on a regular basis.

2.2 Identifying Risk and Opportunity

The process of identifying risk is both formal (as part of business and project planning) and also informal, as part of everyday activity (Operational). This section sets out the organisational process for identifying risk, however it must also be recognised that Members and staff should be risk aware and as such may identify, assess and add a risk to the register at any time.

For each Leadership risk identified the following should be considered:

- An assessment of each risk for its likelihood and impact
- The identification of mitigating (key) controls currently in place
- The assurances on the key controls that have already been established
- Gaps in keys controls
- Gaps in assurance
- Appropriate management actions and allocation of responsibility for the implementation of further mitigating management action and (where possible) an implementation date

For each opportunity identified the following should be considered established:

- Details of the opportunity identified
- Allocation of responsibility for the opportunity
- Any additional risks that this opportunity raises (including financial)
- Actions necessary to make use of the opportunity and mitigate risks, if appropriate.

Identifying different types of risk:

Leadership Risks: risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its strategic priorities.

Operational Risks: are risks affecting corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services

The Leadership risks are owned by a CEDR member and managed by a senior manager.

These Leadership risks will be fully reviewed by CEDR on an annual basis in the fourth quarter as part of the business planning process for the forthcoming year and provides a clear opportunity to identify new risks and opportunities. The result of this discussion will also be considered by the relevant council committees.

At any point in the year CEDR and council committees may identify new risks. If this is the case the risk assessment method is followed and the Strategic Intelligence & Insight team (SII Team) adds the risk to the register.

Operational Risks

Operational risks should be identified and owned by the relevant service, led by the Assistant Director. The annual service planning process provides an opportunity to fully review all current operational risks and delete risks that are no longer relevant and identify any new risks. However, the identification of risk is not limited to a single point in the year and new risks may be added at any time.

The SII team is able to support services by running risk workshops as required. A member of the SII team attends DMT meetings where they will assist in identifying risks, and the management of operational risks alongside performance updates.

Programme / Project Risks

Risk management should be incorporated into programme and project management right from the outset. The size and scope of the project will dictate the best way of managing the risks. However, all programmes/projects must undertake full risk assessments.

All significant programmes and projects should use a risk log which will be managed by the programme/project manager and reviewed by the relevant board.

For programme and projects which are likely to have an impact on the councils' ability to meet its strategic objectives or have a budgetary impact of over £100,000 the additional requirements are in place:

- The high level risk and its controls will be recorded and managed through the councils' Leadership risk register. Detailed risks associated with the programme/project will be recorded in its risk log.

- Risk should be a frequent item on each programme/project board meeting to review existing risks and the effectiveness of their controls and to identify any new risks.

- Risk management in programmes and projects will be supported as necessary by the Programme Manager and the Strategic Intelligence & Insight manager.

For minor projects (low value or single service based) a risk log should still be maintained as part of good project management. However, it is unlikely that the project risks will appear on the councils' Leadership risk register unless they have the potential to have significant reputational, health and safety or service provision risks, or the potential loss could exceed £100,000. If this is the case then the approach set out above with regards to significant programme / project risks should be followed.

Shared risks

A risk can be described as shared when it has an impact on both organisations' priorities/services (although it may not be an equal impact), when both organisations must work together to mitigate and control it or when it is escalated to a joint service or programme/project. If a risk is identified as shared it will appear on both councils' risk registers.

2.3 Assessing Risk

Once a risk has been identified (of any type, Leadership, operational or project) it needs to be assessed. The assessment process considers the likelihood that the risk may occur and its potential impact. This allows for risks to be ranked and prioritised, as not all risks represent equal significance to the councils.

The councils' use a risk scoring matrix to work out the inherent risk score (likelihood' times the 'impact'). The inherent risk score helps to make decisions about the significance of risks to the organisations, how they will be managed, the controls required and the treatment of the risk.

The owner of the risk undertakes this assessment. For a Leadership risk this is checked by the SII team, for programme/ project risks by the relevant board and for operational risks by the Assistant Director.

			Likelihood				
			Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5	Catastrophic	5 =	10 ↑	15 ↑	20 ↑↑	25 ↑↑
	4	Major	4 =	8 ↑	12 ↑	16 ↑↑	20 ↑↑
	3	Moderate	3 =	6 =	9 ↑	12 ↑	15 ↑
	2	Minor	2 =	4 =	6 =	8 ↑	10 ↑
	1	Insignificant	1 =	2 =	3 =	4 =	5 =

NB inherent risk is sometimes referred to as gross risk.

The risk management process guide and 'new risk template' explain in greater detail what makes up the likelihood and impact scores.

The inherent risk score will determine how the risk is controlled and managed with treatment, toleration, transfer and terminate the main options (2.4 refers).

Once controls and actions to mitigate the risk have been identified a net risk score should be assessed. The inherent and net risk scores, along with the controls and actions then form the basis of reviews.

Organisational risk profile

Once Leadership risks and mitigating controls/actions have been assessed the results are then plotted on a risk matrix which is included as part of the Leadership risk register. Service/projects risks may be plotted in a similar way if required.

2.4 Managing and Controlling Risk

Once risks have been identified and assessed, the next step is to control and manage them. This will involve the consideration of cost-effective action, which is aimed to reduce the inherent risk rating. These management actions should be focussed on gaps in terms of risk controls and assurance.

The proposed action(s) to control the risk will then be mapped against the specified risk together with an implementation date, and a named person will be designated as responsible for 'owning' the risk. The 'net' risk rating is the assessment of the risk after these controls/actions have been put in place.

These actions/controls should be included in risk documentation and/or service plans. Where a risk is associated with a programme or project it should be entered into the relevant risk log.

Managing risk is an on-going process and the commentary provided as part of the risk review process should reflect the activity taken within the period to control the risk.

The Four T's

The level of the inherent risk will help determine the best treatment for a risk, whether Leadership or operational. The risk owner has a number of options:

Tolerate: The councils' may tolerate a risk where:-
- The risk opens up greater benefits
- These risks must be monitored and contingency plans should be put in place in case the risks occur.
- The risk is effectively mitigated by controls, even if it's high risk
- The risk cannot be mitigated cost effectively

Treat: This is the most widely used approach:-

The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by taking action to control it through either containment actions (these lessen the likelihood or consequences of a risk and are applied before the risk materialises) or contingency actions (these are put into action after the risk has happened, reducing the impact. These must be pre-planned).

Terminate: Doing things differently and therefore removing the risk.

This is particularly important in terms of project risk, but is often severely limited in terms of the Leadership risks of an organisation.

Transfer: Transferring some aspects of the risk to a third party.

For example via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets. However it is a limited option – very few Leadership risks are insurable and only around 15 -20% of operational risks can be insured against.

2.5   Reviewing and Reporting on Risk

Leadership risks will be reported to committees regularly and reviewed monthly by CEDR. This review involves consideration of all Leadership risks facing both councils, which could impact on the achievement of council strategic priorities, which could impact across more than one service, and significant partnership risks.

The review should focus on four key factors:

1.   whether there are any changes to the inherent/residual risk scores
2.   whether new controls or actions are required
3.   to what extent are there any gaps in the assurance of identified controls
4.   whether the risk is still relevant

Operational risks and programme/project risks will be monitored and reviewed locally, on a monthly basis within DMT.

All risks will be clearly defined together with the controls that currently exist to manage them. Risk ratings will be reviewed and where relevant commentary to identify progress against planned action or any emerging issues.

It is important that the internal systems and procedures in place are adequate to manage the identified risk. Where control weaknesses are identified, these should be noted so that action can be taken to remedy such weaknesses. Action to address these weaknesses should be included within the report.

2.6   Linking risk to business plans and performance

Linking Leadership Risk to Council Business Plans

The Leadership Risk and Opportunities Register is owned and managed by CEDR and reported by the SII team. Where appropriate risks will be associated with council priorities and objectives (n.b. the priorities of one or both councils). On occasion a risk may sit outside a council priority, for example where it affects all priorities or has whole organisation impact (e.g. the risk of systems failure).

Incorporating Operational Risk into Service Plans

Each service is required to produce a service plan on an annual basis. The format of the service plan is common across the two councils and ensures there are clear links between council priorities and objectives and service deliverables.

Each service plan is required to identify operational risks associated with service delivery and ideally they should be directly linked to service priorities. Likewise actions to control risks should be included within the service plan or the risk documentation itself.

Responsibility for monitoring operational risk lies with the Assistant Directors and service managers.

Integrating Risk and Performance Management

Performance and risk will follow the same reporting regime and performance of risks will be clearly highlighted in reports. Where possible risk monitoring information will be captured using the same process as performance information. Risks should be reviewed at the same time as reviewing performance of objectives/projects as they will impact each other.

2.7   Linking risk to programmes and projects

Programme and projects adhere to the agreed risk management strategy. It is recognised that the risk environment is different within programmes and projects and frequently risks are identified, actioned and closed on a faster basis than within the Leadership risk environment where risks are linked into longer term strategic objectives rather than projects moving within shorter delivery timescales.

Programme or project risks may be escalated to the Leadership risk register if they reach a point where they have a significant financial, reputational or strategic impact.

Risk Management responsibilities in project environments

Corporate Management CEDR	Responsible for providing and ensuring adherence to the Risk and Opportunities Management Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Assistant Director	Accountable for risk management actions agreed at DMT following escalation from projects and operational risks within the Directorate
Project Sponsor	• Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project • Ensures all risks associated with the project business case are identified, assessed and controlled • Triggers an escalation
Senior user/ customer/client board member	Responsible for ensuring all risks to users are identified, assessed and controlled
Senior supplier board member	Responsible for ensuring all risks to delivery are identified, assessed and controlled
Project Manager	• Creates the project-specific risk management approach as directed by the sponsor • Responsible for creating and maintaining the risk register in line with requirements of the Risk and Opportunities Management Strategy, ensuring risk identification, assessment and control measures are implemented.

Section 3: Roles and Responsibilities

3.1 Accountability

There will be clear accountability for risks and risk management. This is supported through each councils' Annual Governance Statement signed by the Chief Executive and the Leader of the Council, and by making both councils' risks and risk management process open to regular Member overview, internal audit and external inspections.

The overall responsibility for the effective management of risks rests with full council (at CDC and SNC) and the SNC Cabinet/CDC Executive (lead member/portfolio holder) as advised by CEDR.

The CDC Accounts, Audit and Risk Committee and the SNC Audit Committee have specific responsibility for monitoring the councils' risk management arrangements, for undertaking an annual review of this strategy to ensure it remains current and up to date and reflects current best practice in risk management, and for making recommendations to the Cabinet/Executive if it is considered that any improvements or amendments are required.

CDC Executive Members and SNC Portfolio Holders will be briefed regularly by CEDR to ensure they are aware of Leadership risks affecting their service areas/portfolios and any improvements in controls which are proposed.

Sections 3.2 and 3.3 of this strategy outline specific Councillor and Officer accountabilities and responsibilities with regards to risk management.

3.2 Council Committees

Audit Committee (South Northamptonshire Council)
The committee will monitor the effective development and operation of the council's risk management, including consideration of the risk register. The committee provides independent assurance to the Council on the effectiveness of risk management and internal control arrangements and performance effectiveness to the extent it affects exposure to risk and to inform the Annual Governance Statement.

Accounts, Audit and Risk Committee (Cherwell District Council)
The committee will ensure that corporate governance arrangements (including risk) are in place, they consider the statement of assurance and monitor the effectiveness of risk management. The committee also commissions the risk management strategy and endorses it for Executive to adopt.

Cabinet (South Northamptonshire District Council)

The South Northamptonshire Cabinet will receive a regular update on Leadership risks.

Executive (Cherwell District Council)

The Cherwell District Council Executive will receive a regular update on Leadership risks.

Reflecting the roles of these committees the relevant Chairmen, Lead Members (CDC) and Portfolio Holders (SNC) will be briefed on risk matters and act as risk champions where appropriate.

3.3   Section 151 Officer

The councils' Section 151 Officer is the lead officer for risk management and ensures that the councils' have robust risk management strategies in place that effectively support the system of internal control.

3.4   Chief Executive Director Reports (CEDR)

CEDR has a number of roles with regards to risk management. As the senior management team they are likely to own many of the Leadership risks on the councils' risk registers. As such they are responsible for risk review and monitoring on a monthly basis to CEDR meeting and regularly to Audit committees.

CEDR also have a role in discussing new risks and working with the SII Team to ensure they are assessed, recorded and managed.

3.5   Strategic Intelligence & Insight Team (SIIT)

The SII Team is responsible for preparing and updating the risk management strategy, for compiling and managing the Leadership risk register (including preparing regular reports) and for ensuring operational risk management is undertaken by services.

In addition the team provides risk related support to managers, officer and councillors (through officers groups and risk management training arranged by democracy) and provides information for the Annual Governance Statement.

3.6   Team Managers, Officers and Staff

Service managers and team leaders will often be responsible for operational and project risks. This includes risk identification, assessment and management. At this level risks should be included in service and project plans. For some projects a separate risk log will be required.

In some cases CEDR members may devolve the day to day responsibility for managing a Leadership risk to a service manager. If this is the case the manager will be expected to update the Leadership risk register on a monthly basis.

Staff without direct responsibility for owning and managing a risk still have an essential role to play in helping teams identify potential risks associated with service delivery and implementation of projects. As such staff should be involved in risk discussions within teams as they would be with regards to performance management.

Section 4: Monitoring and Review

4.1   Annual Review of the Risk Strategy

The Risk and Opportunities Management Strategy will be reviewed on an annual basis and this review will take into account any issues highlighted by the internal audit of risk management. In addition the Leadership risk register will be fully reviewed by CEDR during the fourth quarter and as part of the annual service planning process managers will be asked to fully review their operational risks.

4.2   Monitoring of the Strategy and Register

As part of the risk and opportunities management process it is expected that risks (whether Leadership or operational) are reviewed on a monthly basis via CEDR.

A report will be taken to the Accounts, Audit and Risk Committee (Cherwell District Council) and the Audit Committee (South Northamptonshire Council) providing a summary of the most recent review and in addition highlighting any issues arising with regards to the implementation of or compliance with the Risk Strategy. The review will include commentary regarding the current risk score, the controls in place and whether any gaps have been identified in terms of the assurance that the controls are effective.

4.3   Internal Audit

Internal Audit will be in a position to provide assurance on the internal control environment, in line with their planned programme of work. Internal Audit will plan the annual audit coverage based on a risk assessment, and on the levels of assurance that can be obtained from other assurance providers. The Code of Practice for Internal Audit in Local Government in the United Kingdom defines Internal Audit as;

'An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources'.

It is envisaged that Internal Audit and Risk Management will co-ordinate assurance by:

- Independently reviewing the risk management strategy and process.
- Completing risk based reviews of the key controls identified to mitigate the principal risk to the councils' achievement of their strategic objectives.
- Referring to the councils' risk registers when planning audit work.

4.4   External Audit and Review

External Audit

External Audit is a key source of assurance and both councils should take into account the external audit management letter and reports. However, it is worth noting that the work of external audit has to be independent and the councils should not rely on external audit for advice and guidance as that is not their role.

Review Agencies and Inspectorates

Aspects of the organisations' activities may be subject to independent inspection and assessment. These reports are likely to identify areas of strength and issues to address and may also provide some assurance. Reports from the Local Government Ombudsman may also provide a further source of assurance.

Section 5: Corporate Governance

5.1 Annual Governance Statement

Regulation 4 of the Account and Audit Regulations (2003) requires audited bodies to conduct a review, at least once a year, of the effectiveness of their systems of internal control. This review is incorporated within the Annual Governance Statement that is published alongside the statement of accounts for both councils.

The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process. The process of preparing the Annual Governance Statement will add value to the corporate governance and internal control framework of an organisation.

The statement needs to be approved separately to the accounts and signed as a minimum by the Chief Executive and the Leader of the Council. At each council the production of the Annual Governance Statement will be reliant upon the contents of some or all of the following. These sources of assurance are:

- Internal audit annual report
- External audit management letter
- Review Agencies and Inspectorates (where appropriate)
- Other internal review mechanisms
- The Leadership Risk and Opportunities Register, including controls and actions
- Operational Risk Registers, including controls and actions
- Statements of Assurance
- Identification of risks highlighted by CEDR
- Audit Committees at both councils
- Performance Management Framework
- Health and Safety Adviser

5.2 Statements of Assurance

In order for the Chief Executive and the Leader of the Council to be able to sign off the Annual Governance Statement there is a requirement for each Head of Service to complete a statement of assurance taking responsibility for their individual service/operational risk registers and the implementation of the management actions contained within it. These statements of assurance will be completed on an annual basis to feed into the Annual Governance Statement.

The Chief Executive or, in the absence of the Chief Executive, a Director/Section 151 Officer, needs to sign a statement of assurance for the Leadership Risk and Opportunities Register.

Section 6: Contacts and Further Guidance

6.1   Contacts

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6.2   Supporting Documents / Guidance

In addition to this strategy the following documents provide information and guidance with regards to risk management:

1. A quick guide to risk management – a three page summary of the councils' approach to risk

2. New risk assessment template – a two page template that takes you through the process of assessing a new risk or fully reviewing an existing risk

Cherwell District Council

Accounts, Audit and Risk Committee

12 April 2018

Quarter 3 Treasury Management Report

Report of Deputy Section 151 Officer

This report is public
Appendix 1 is exempt from publication by virtue of paragraph 3 of Schedule 12A of
Local Government Act 1972

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.

1.0   Recommendations

The meeting is recommended:

1.1   To note the contents of the third quarter (Q3) Treasury Management Report

2.0   Introduction

2.1   As part of the Council's investment strategy and governance arrangements this committee considers the investment and borrowing performance to date and compliance with the Council's Treasury Management Strategy.

2.2   The Code of Practice on Treasury Management approved by the Chartered Institute of Public Finance and Accountancy (CIPFA) and adopted in full by the Council in 2013, requires that a Treasury Management Strategy is produced prior to the beginning of the financial year to which it relates.

2.3   The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment. The revised annual strategy for Cherwell District Council for 2017/18 was approved at full Council in December 2017. The Council re-appointed Arlingclose as its Treasury Management advisor in April 2017.

2.4   The highest standard of stewardship of public funds remains of the utmost importance to the Council. This document details the Council's management of borrowing, investments and treasury management activities during the first nine months of 2017/18.

3.0 Report Details

2017/18 Summary

3.1 At the end of December 2017 the Council had borrowing of £34m, and investments of £12m, a net borrowing position of 22m.
Appendix 1 provides further details of these borrowing and investment totals.

Strategy

3.2 The revised Treasury Management Strategy for 2017/18, which includes the Annual Investment Strategy, was approved by the Council in December 2017 and sets out the Council's investment priorities as being:

- Security of Capital; Liquidity; and Yield

3.3 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs. The Council also seeks out value available in higher rates in periods up to 12 months with highly credit rated financial institutions. The Council uses Arlingclose's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information (this applies in particular to nationalised and semi nationalised UK banks).

3.4 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.

3.5 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.

3.6 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.

Investment performance for 9 months ended 31 December 2017:

3.7 Investment rates available in the market have continued at low levels, although there was an increase in the Bank Of England Base rate from 0.25% to 0.50% in November 2017 which has had a gradual positive effect on investment returns.
The *average* level of funds available for investment purposes up to December 2017 was £13.8m. Funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants, and the funding the Capital Programme.

3.8 The position as at 31 December 2017 shows:-

Investment Amount £	Interest Budget £	Interest Actual £	Variance £	Annualised rate of return £
12,016,839	51,750	32,597	-19,153	0.31%

3.9 Interest for the full year is forecast to be approximately £24k below budget, due to low level of investments being held. The Council is now a net borrowing authority and investment balances are held primarily for liquidity purposes.

Borrowing performance for 9 months ended 31 December 2017:

3.10 The Council commenced external borrowing in April 2017 to fund it's capital programme, and had total debt of £34m at the report date. Part of the current debt is at fixed rate for the medium term, with the remainder short term variable rate. As borrowing will increase further, and the prospect of rate increases grows, we will seek to take a higher proportion of the debt at long term fixed rates. This may cost more in the short term but will provide certainty of cost and provide savings in the longer term.

3.11 The position as at 31 December 2017 shows:-

Borrowing Amount £	Interest Budget £	Interest Actual £	Variance £	Annualised interest rate £
34,000,000	18,750	143,954	-125,204	1.08%

Interest for the full year is forecast to be significantly over budget due to the higher than expected borrowing in the year. This is for capital projects/acquisitions that were not approved when the budget was set.

3.10 **Non-treasury investment activity.**

Although not currently classed as treasury management activities and therefore not covered by the CIPFA Code, the Council also holds £51m 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".

3.13 Arlingclose provided the following reports (on 8 January 2018) for the quarter ending 31 December 2017:

Economic backdrop: The significant economic event was the increase in the Bank Rate in November by 0.25% to 0.50%, making it the first increase by the Bank of England's MPC to rates since July 2007. The vote to increase Bank Rate was 7-2, reflecting the MPC's growing concern that rising inflation had finally outweighed the risks to growth and largely to meet expectations the Bank itself created. The Bank has reiterated that it expects any future increases in Bank Rate to be at a gradual pace and limited in extent.

Commodity prices rose over the period with oil increasing to around $67 a barrel from a low of $42 in June. UK Consumer Price Inflation (CPI) index continued to rise with the data print for November showing CPI at 3.1%, its highest since March 2012 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 2.8%.

The number of unemployed in the economy continued to decrease, although the unemployment rate remained at 4.3%. Consumers' wages continued to shrink, in real terms, given average earnings growth remained subdued at 2.5%, a good deal below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q2 and Q3 GDP growth of 0.3% and 0.4% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings remaining relatively low and real wage growth negative, there are concerns that these will be a constraint on future economic activity.

In contrast, near-term global growth prospects improved. The US economy grew steadily and inflation increased to 2.2%. As was expected, the Federal Reserve increased its target range of official interest rates in December for the third time in 2017 by 25 basis points to between 1.25% and 1.50%. The Fed is expected to deliver three more increases in 2018 and a further two in 2019. The central bank's growth forecasts were revised up based on the newly-passed personal and corporate tax rate cuts proposed by Donald Trump.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take a very measured approach to any monetary policy tightening. Any increases 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 were broadly stable over the quarter as much of the uncertainty which plagued the first half of the year dissipated. The yield on the 5-year gilts fell slightly to 0.72% at the end of the quarter, down from 0.80% in September. The 10-year gilts similarly fell from 1.38% to 1.19% at the end of the quarter and the 20-year gilts from 1.94% to 1.73%.

The FTSE 100 continued to climb, reaching yet another record high of 7688 at the end of calendar year. Money markets rates, unsurprisingly, have increased over the quarter: 1-month, 3-month and 12-month LIBID rates have averaged 0.43%, 0.47% and 0.76% over the period October-December.

Credit background: UK bank credit default swaps have remained broadly stable throughout the quarter. Bank share prices have not moved in any pattern.

Much of the activity by credit rating agencies during the quarter has related to the upcoming UK bank ringfencing which will take effect in 2018. Ringfencing requires the larger UK banks to separate their core retail banking activity from the rest of their business, resulting in two separate banks. In general, the agencies expect to give the ringfenced "retail" bank a higher credit rating than the non-ringfenced "investment" bank. In practice, this will only affect Barclays, HSBC, Lloyds and RBS as other UK banks and building societies either only conduct retail banking activities or have less than £25 billion of deposits covered by the Financial Services Compensation Scheme.

Barclays Bank plc was upgraded to A from A- by Standard & Poor's (S&P), after the bank announced its plans for its ringfenced bank, Barclays Bank UK plc, and the non-ringfenced bank, Barclays Bank plc. S&P also assigned preliminary ratings of 'A/A-1' to Barclays Bank UK plc.

In November S&P revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings. These reflect the agency's view that the institutions now show increased resilience, have made substantial progress in meeting regulatory capital requirements and are now better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019.

There have been no changes to Arlingclose's investment advice regarding banks and building societies during the quarter.

Regulatory Updates

MiFID II: As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The Authority is currently considering the changes from the 2011 Code for incorporation into future Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which sets out the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced, it must be approved by full Council, and the determination of the Treasury Management Strategy can then be delegated to a committee.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy.

DCLG Consultations on Investment Guidance and Minimum Revenue Provision (MRP): In November the DCLG consulted on proposed changes to its Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision (MRP) with a deadline for responses of 22nd December.

Proposed changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g temporary transfer of cash to a third party, joint venture, subsidiary or associate). The draft Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies should detail the extent to which core expenditure is reliant on investment income and a contingency plan should yields on investments fall.

There is a proposed change to the basis of prudent MRP to "cover the gap between the Capital Financing Requirement (CFR) and grant income/capital receipts"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

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Outlook for the remainder of 2017/18

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 relatively low and real earnings growth (i.e after inflation) struggles in the face of higher inflation.

The Bank of England's Monetary Policy Committee's decision to raise bank rate is likely to reduce inflation, all other things remaining equal, but is likely to have negative effect on what was already a weak growth outlook.

Arlingclose's central case is for Bank Rate to remain at 0.50% over the forecast period, whilst introducing upside risks from September 2018, as shown below, and downside risks from March 2019. Arlingclose's central case is for gilt yields to remain broadly stable across the medium term.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

4.0   Conclusion and Reasons for Recommendations

4.1   This report details the Treasury Performance for the Council for the period ending 31 December 2017.

5.0   Consultation

None

6.0   Alternative Options and Reasons for Rejection

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

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

7.0   Implications

Financial and Resource Implications

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

Comments checked by:
Cecilie Booth, Deputy Section 151 Officer
Cecilie.booth@cherwellandsouthnorthants.gov.uk   01295 227946

Legal Implications

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

Comments checked by:
Richard Hawtin, Team Leader – Non-contentious Business, 01295 221695
richard.hawtin@cherwellandsouthnorthants.gov.uk

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, 01295 221786
louise.tustian@cherwellandsouthnorthants.gov.u

Equality and Diversity

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

Comments checked by:
Caroline French, Corporate Policy & Projects Officer, 01295 221586
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8.0   Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

Links to all elements of Corporate Plan

Lead Councillor

None

Document Information

Appendix No	Title
Appendix 1	Schedule of in-house investments and borrowing - EXEMPT
Background Papers	
None	
Report Author	Cecilie Booth, Deputy Section151 Officer
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